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# Office of the State Auditor: Authority and Responsibilities

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The Office of the State Auditor (OSA) operates under the direction of the State Auditor, A. Joseph DeNucci, an independently elected constitutional officer. The OSA provides the Governor, the Legislature, auditees, oversight agencies, and the general public with an independent evaluation of the various agencies, activities, and programs operated by the Commonwealth. As mandated by Chapter 11, Section 12, of the Massachusetts General Laws (MGLs), the State Auditor conducts audit work at least once every two years at all departments, offices, commissions, health and higher education institutions, and agencies of the Commonwealth, including its court system and authorities. Not including special audit projects, the number of primary entities requiring audit coverage totals approximately 500. The Auditor also performs audits of vendors and contractors that do business with the Commonwealth and its instrumentalities. Furthermore, under Chapter 7, Sections 52 through 55, MGLs, the Auditor carries out mandated responsibilities relative to privatization initiatives. In addition, the Auditor is responsible, under Chapter 11, Section 6B, MGLs, for the Division of Local Mandates, which is charged primarily with determining the financial impact of legislation and regulations on cities and towns.

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The OSA conducts financial, performance, and Information Technology audits in accordance with “Government Auditing Standards” issued by the Comptroller General of the United States. These standards are known in the profession both as Generally Accepted Government Auditing Standards and as the Yellow Book standards.

OSA audit activities include the following objectives:

- Attesting to the fair presentation, accuracy, and reliability of an auditee’s financial statements;
- Determining whether the Commonwealth’s resources are properly safeguarded;
- Determining whether such resources are properly and prudently used;
- Determining an auditee’s compliance with legal and regulatory requirements;
- Obtaining an understanding of an entity’s internal control structure;
- Evaluating management’s economy and efficiency in its use of resources;
- Determining and evaluating a program’s results, benefits, or accomplishments; and
- Ensuring that all audit results are disclosed to the public and the auditees.

All OSA audit results and recommendations are intended to assist agency and program administrators by indicating areas where accounting and administrative controls, financial operations, program results, and efficiency and effectiveness can be improved. The OSA also offers technical assistance where appropriate. In short, the OSA is not simply a critic but is an agent, an advocate, and a catalyst for improved management and delivery of government services.

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# Audit Results, Recommendations, Initiatives, and Corrective Actions: Overview

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During the report period July 1, 2001 through December 31, 2001 the Office of the State Auditor issued reports covering 399 agencies, authorities, institutions of public higher education, human service entities, judiciary/law enforcement entities, and various other state activities. For a complete listing of audit reports, see the Appendix on page 86. In these reports the OSA disclosed millions of dollars in financial and operational deficiencies and provided recommendations intended to safeguard the Commonwealth's assets and to improve the effectiveness and efficiency of governmental operations.

Each type of entity audited by the OSA is governed by particular laws and regulations; is required to maintain financial records properly; and is expected to operate economically and effectively. OSA audits are not intended to sensationalize, but rather to present an accurate appraisal of financial management, legal compliance, and, where appropriate, program effectiveness and efficiency.

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Audit results and recommendations are important to auditees, and in a majority of instances auditees have indicated a willingness to take appropriate corrective actions. Audit results, viewed in the aggregate, give focus to problem areas for legislators and administration officials and, along with critical individual audit results, are the basis of OSA legislative and administrative initiatives and recommendations.

The following information demonstrates that OSA audits have promoted the safeguarding and enhancement of the Commonwealth's assets and also have assisted auditees in creating solutions that improve their financial and managerial operations.

## Education Audits

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During the report period, the OSA released audits covering 53 education entities. One report issued reviewed oversight of the state's charter schools by the Department of Education. Another of these reports reviewed Information Technology (IT) activities and is detailed in the IT Audit Section, which begins on page 54.

# Audit Results

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## Inadequate Accounting and Administrative Controls

Adequate accounting and administrative controls assist entities in maximizing revenue potential and minimizing vulnerabilities to waste and lost income. They also assist in ensuring compliance with the specific rules, regulations, and guidelines that govern individual state and contract programs. The following internal control issues were noted.

- The Heritage School, Inc., a private nonprofit corporation that provides state-funded pre-school and kindergarten programs, did not maintain its financial records in accordance with Generally Accepted Accounting Principles or retain its records for a required seven-year period. Consequently, the School did not comply with state regulations and did not prepare accurate and auditable financial statements. Moreover, the School did not prepare budgets of revenues and expenses, did not perform bank reconciliations, and did not have a system to control the authorization and payment of expenditures. As a result of these substantial internal control deficiencies, there was inadequate assurance that \$133,764 received by the School during the audit period was appropriately utilized, and specific expenditures totaling at least \$44,069 were unallowable or highly questionable. See page 69.
- The Heritage School, Inc., did not submit several required Internal Revenue Service (IRS) and other regulatory filings. During the audit period, the School did not file income information forms required by the IRS for nonprofit organizations seeking to retain a tax-exempt status or the annual financial report that nonprofit organizations must file with the Attorney General's Division of Public Charities. In addition, the School did not file required financial statements with the Operational Services Division, the agency responsible for regulating activities of service providers and their subcontractors. As a result, the School risked potential financial penalties, as well as debarment and other restrictions that could jeopardize its financial viability. See page 69.

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**Inadequate  
Accounting and  
Administrative  
Controls**  
*(continued)*

- The Heritage School, Inc., contrary to state law, did not have a Board of Directors to oversee its operations. The Board of Directors of a public service agency is the primary organizational body that ensures that the agency meets its operational objectives in the most effective and efficient manner. The audit noted that questionable activities and expenditures by Heritage School officials might have been avoided if an active, properly constituted Board of Directors had been in place. See page 69.
- Massachusetts Bay Community College notified the OSA of a theft from its Student Accounts Office of \$48,856.50 in checks and \$930 in cash. College officials stated in their report that the safe from which receipts were taken had been left unlocked and unattended. Furthermore, the safe, even when locked, was not properly secured since its key locking mechanism was defective and the key was kept in an unlocked desk drawer. The OSA's subsequent review disclosed additional internal control weaknesses, including long delays in processing student payment receipts, which increased the vulnerability of tuition and fee revenue to loss, theft, and misuse. Pursuant to the requirements of Chapter 647 of the Acts of 1989, the OSA made recommendations for improving the control environment at the Student Accounts Office. At the close of the audit period, the Wellesley Police Department, which had also been notified of the theft of funds, was conducting its own criminal investigation. See page 68.



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- Massachusetts Bay Community College was not performing bank reconciliations on a timely basis. As a result, fraudulent charges, including \$1,291.90 in service fees charged for memberships to three adult entertainment Web sites, remained undetected for sixteen months. In May 2001, a new accountant began performing reconciliations, during the course of which she noted and investigated the inappropriate Web charges. The memberships were immediately canceled, and two of the Internet billing companies agreed to issue refunds to the College. The accountant, in continuing to reconcile various bank accounts, noticed additional unauthorized charges totaling \$2,066.11 representing payments for personal telephone and credit card expenses. Of this amount, bank officials have reimbursed the College \$112.85. They have not credited the balance because notification was not made within the bank's 60-day notice period, a decision that the College is contesting. As of the close of the audit period, the bank was pursuing the unauthorized payments and was working with the College to prevent additional unauthorized use. The College also stated that its staff accountant was now reconciling all bank accounts on a monthly basis. See page 68.

## Program Implementation and Oversight Issues: Charter Schools

During the audit period, the OSA examined the activities of the former Executive Office of Education (EOE), The Board of Education, and the Department of Education (DOE) relative to their review of charter school applications and their awarding of charters. The audit also reviewed DOE's monitoring and assessments of charter schools' fiscal operations and program performance. Finally, pursuant to Chapter 46 of the Acts of 1997, the OSA examined individual charter schools' business practices and legal compliance. This audit identified a number of areas in which administration of the Charter School Program could be improved, as discussed below.

- EOE reviewed charter school applications during fiscal years 1994 through 1996, after which time the authority for granting charters was given to the Board of Education. Significant deficiencies were noted in the procedures utilized by both entities in the awarding of charters. Specifically, EOE did not have a process in place for recording charter applications received, making it impossible to determine whether all applications were considered for a charter, and did not maintain complete documentation for both individual and summary score sheets to support the evaluation of applicants or the awarding of charters. The audit also noted that information was not available regarding the identification or qualifications of the evaluators. Although some of these deficiencies were addressed by changing the authority for awarding charters from EOE to the Board of Education, significant issues remained unresolved. Numerous undetected errors were found on score sheets processed in 1998 and 1999, as were unexplained changes to score sheets and a lack of documentation regarding the selection and qualifications of evaluators. As a result of deficiencies in procedures for reviewing and evaluating charter school applications, there was inadequate assurance that the application and award process was performed in a consistent and equitable manner or that the most qualified applicants were granted charters.

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- DOE did not establish specific performance objectives for charter schools or provide formal guidance on how these objectives should be established, measured, or reported to ensure that charter schools perform at an acceptable level. As a result, many of the performance objectives established by the seven charter schools reviewed by the OSA were unclear and unmeasurable. In addition, although DOE performed annual site reviews at all charter schools, it did not review financial or other records to verify information reported in required charter school annual reports and financial audits. Consequently, the site visits did not accomplish their primary purpose of assessing a charter school's efficiency and performance. In conducting audit work at seven charter schools, the OSA found problems with expenditure documentation and attendance reporting, as well as inconsistencies and lack of documentation relative to the measurement of pupil performance. DOE officials responded that they had adopted measures to improve their monitoring and evaluation of charter schools.
  - DOE had not established guidelines for charter schools to follow in negotiating with the four for-profit companies and one nonprofit company that were managing or scheduled to manage eleven charter schools. As a result, several control and accountability issues were noted, including the provision of potentially excessive funding to the management companies. For example, 24.2% of funding provided to the Somerville Charter School during fiscal year 1998 went to its management company rather than for program services. Also, three charter schools had inadequate or no documentation to substantiate payments to their management company. The audit also cited instances in which a management company placed restrictions on sharing curriculum and other teaching materials with other schools, contrary to state charter school law. Finally, the audit noted that, although for-profit companies were managing less than 27% (nine) of the charter schools in Massachusetts during fiscal year 2000, they received approximately 54% of the total charter school state funding.
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**Program  
Implementation  
and Oversight  
Issues**  
*(continued)*

- DOE had not established formal guidelines relative to the composition or activities of the Boards of Trustees of charter schools. As a result, OSA audits of individual charter schools disclosed questionable board activities, including two instances in which, contrary to state law, representatives of a for-profit company may have participated in the application process for a charter. Also noted were several instances where board members were also employees of the school, creating potential conflicts of interest and in at least one instance, that of the Chelmsford Charter School, in a board decision that was not in the best interest of the school. The board members of this school accepted a contract provision prohibiting the hiring of any school employees for an eighteen-month period should the board decide not to renew its contract with the management company. This provision posed an unwarranted risk to the continued operation of the school.
- Charter school managers did not establish adequate internal controls over important aspects of their operations. Among internal control deficiencies noted at individual schools were inadequate inventory control systems, a lack of competitive procurement procedures for goods and services, and an absence of safety plans and organizational charts. In addition, none of the schools reviewed had established formal policies and procedures relative to student enrollment and attendance. The OSA recommended that DOE take the measures necessary to ensure that charter schools implement sound internal controls, which help to safeguard resources and to achieve management objectives in the most effective and efficient manner.
- Charter school managers did not always transfer pension contributions to the Massachusetts Teachers' Retirement Board on a monthly basis as required by law. Many schools were late every month, and some were as much as eleven months late, in submitting the withholdings. Charter schools must transfer withholdings on or before the tenth day of the succeeding month in accordance with state law and the school's fiduciary responsibility to safeguard these assets.

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## Questionable or Unallowable Billings and Expenditures

The following examples of questionable or unallowable charges and reimbursements, which reduce funds available for service provision, were noted.

- The Heritage School, Inc., could not provide any documentation to substantiate \$44,069 in state-reimbursed expenditures. All of these expenditures were made by the School's President, who had sole control of the School's checking account and ATM card. In addition, because School officials were not able to provide bank statements and cancelled checks for two months of the audit period, audit testing in this area was limited and other questionable charges may have occurred. In addition, the President wrote 42 checks that could not be covered by the School's checking account due to insufficient funds. As a result, the School incurred \$1,312 in bank penalties, which were paid with state funds. However, such costs are nonreimbursable in accordance with state regulations, which prohibit penalties and other fines from being charged against state contracts. Finally, the School had unrecorded and overdue accounts payable totaling \$12,262, including an unrecorded liability of \$9,165 owed to the Massachusetts Department of Revenue for payroll taxes. The documentation maintained by the School did not indicate how much of the amount owed was interest and penalties, which would be unallowable expenses. See page 69.

## Special Audit Section

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### Department of Education (DOE): Special Education Costs for Certain Abandoned Children

The OSA reviewed DOE's funding of special education costs for abandoned children who are wards of the state. The purpose of the review was to examine the funding mechanisms in place at DOE for paying these costs and to determine the adequacy of available funding, particularly for abandoned children placed in private day or residential schools. The OSA identified three appropriation accounts available for assisting districts to pay the educational costs of abandoned children and children who are wards of the state. The Abandoned Children's Account provides funding for the educational expenses of abandoned children with special needs who attend day or residential programs. The Fifty-Fifty Account provides for fifty percent of non-educational costs of special needs children in residential schools. (The balance of these costs are paid by a local school district.) Finally, the State Ward Account provides reimbursements to cities, towns, and regional school districts for the educational costs of any child placed in a school district other than his or her hometown by the Department of Social Services or the Department of Transitional Assistance. Results of the review of these accounts are detailed below.

- The Abandoned Children's Account was seriously underfunded during the audit period. The account, for the previous six years, was level-funded at \$3.8 million, even though the number of children eligible for funding and the costs of educating them had increased. As a result, as of July 2001, there was a \$2.9 million shortfall in the line item, and funding was available for only 70 of 147 eligible children. The remaining 77 children were placed on a waiting list. Educational expenses for day school placements for these children were assigned to local school districts. In the case of residential placements, the local school district was responsible for 50% of the funding. Furthermore, restrictive appropriation language prevented DOE from filing a supplemental budget request for the expenses of students on the waiting list. Until this issue is resolved, an inequitable burden is placed on certain local school districts, including municipalities in which a wait-listed child has not lived for many years, while other districts can pass funding responsibility to the state.

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- DOE reverted \$2 million in fiscal year 2000 from its State Ward Account, which was funded at \$17.5 million, to the Commonwealth's General Fund. Although DOE did not prohibit requests for reimbursement from the State Ward Account for wait-listed abandoned children, use of these funds was complicated by appropriation language, which allowed for reimbursement of public school costs, but not private day or residential school costs. As of the completion date of the audit, DOE had not sought legislative permission to use excess funds in the State Ward Account to cover costs of the waiting list in the Abandoned Children's Account.
  - The Fifty-Fifty Account, from which \$61 million was expended in fiscal year 2000, was limited to reimbursements for non-educational costs of special needs children placed in residential schools. This account did not contain language prohibiting requests for supplemental funding, and some funding from the account could be made available for certain services to wait-listed abandoned children if those services were not principally educational in nature.
  - The OSA recommended that DOE work with the Division of Fiscal Affairs and the Legislature to have the restrictive appropriation language removed from the Abandoned Children Account and to allow the use of excess funds from the State Ward Account and any other unused DOE funds to pay for wait-listed abandoned children. Additionally, DOE needed to develop written regulations, as required by Chapter 71B, MGLs, defining the circumstances in which the Commonwealth is to bear the costs associated with educating abandoned children placed in day or residential schools. These regulations should also put in place a system for rating and prioritizing applications from local school districts requesting funds from the Abandoned Children Account.

## Initiatives

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The following is an update of ongoing initiatives in the area of education.

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### Student Financial Aid Programs

- The OSA is continuing audits of federal student financial assistance programs at the Commonwealth's institutions of public higher education.

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### Review of State-Funded Day Care Services

- The OSA is conducting a statewide audit to determine the extent to which state-funded day care services are available to eligible families throughout the Commonwealth. This review will include audit work at the Department of Education (DOE), the Office for Child Care Services (OCCS), and selected day care providers. At each state agency, the audit will review regulations, guidelines, and policies governing day care programs; identify the day care services currently offered; determine the total state funding provided for each target population; and identify each agency's service providers. The audit will also include efforts made by OCCS and DOE to coordinate the delivery of day care services and to identify those geographical areas in need of additional service.

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### Monitoring and Recordkeeping Requirements: Foreign Non-Immigrant Students

- The OSA has initiated an audit to determine whether state public college and university records regarding foreign non-immigrant students are complete, up-to-date, and in compliance with the recordkeeping and reporting requirements detailed in state and federal laws and regulations.



# Health and Human Services Audits

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During the report period, the OSA issued audits pertaining to 81 health and human service entities and contractors. One of the reports issued reviewed the administration of and oversight by the departments of Public Health, Mental Health, and Mental Retardation of the state's Medication Administration Program. Two of these reports reviewed Information Technology (IT) activities and are detailed in the IT Audit Section, which begins on page 54.

## Audit Results

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### Deficiencies in Contract Procurement and Oversight

The execution of formal contracts, in conjunction with adequate contract monitoring, helps to contain contract costs and to ensure contract performance. The following entity needed to improve its contract administration controls.

- The Center for Health and Development, Inc., a private, not-for-profit corporation that provides a variety of services, including psychiatric treatment and rehabilitation services, did not have adequate controls over \$440,599 in contracted consultant services. Specifically, the Center did not have a process to document the need for goods and services, did not award all of its contracts using a competitive bidding process, did not always enter into formal written agreements with its consultants, lacked documentation of its consultants' qualifications, and approved various payments to consultants without adequate documentation. As a result, there was inadequate assurance that the agency contracted for only necessary services or received the highest quality services at the lowest cost. Moreover, the Center lacked an effective mechanism for monitoring contract performance and paid more than \$14,000 for undocumented, inadequately documented, or non-program-related expenses. See page 69.

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## Inadequate Accounting and Administrative Controls

Adequate accounting and administrative controls assist entities in maximizing revenue potential and minimizing vulnerabilities to waste and lost income. They also assist in ensuring compliance with the specific laws, rules, regulations, and guidelines that govern individual state and contract programs. The following internal control issues were noted.

- The Center for Health and Development, Inc.'s Board of Directors were not effectively performing their oversight responsibilities, principally because seven of the agency's eight board members lived outside of Massachusetts. This geographic dispersion limited the amount of direct contact board members had with one another, as well as with agency staff, and caused delays in various projects and approvals. In one instance, an approval delay resulted in a failure to submit a proposal that would have allowed the agency to renew a contract with the Department of Mental Health. The agency subsequently lost 75% of its original forensic mental health contract, which amounted to approximately \$1.8 million in annual funding. Finally, the dispersion of board members also caused the agency to incur \$24,651 in unreasonable costs in that the agency paid for food, lodging, transportation, and teleconferencing to accommodate out-of-state members. See page 69.
- The Center for Health and Development, Inc., was not maintaining all the information required by contract conditions and state regulations in its personnel files. Missing information included documentation that a Criminal Offender Record Information review had been conducted for all direct care workers. In addition, approved attendance records were not on file for all administrative employees. Without signed payroll records, there is inadequate assurance that the contracted level and quality of personnel services were actually provided or that cost allocations among programs were correct.

**Inadequate  
Accounting and  
Administrative  
Controls**  
*(continued)*

- The Center for Health and Development, Inc., contrary to state regulations, did not disclose \$3,896 in related-party transactions involving the vendor selected to process the agency's long-distance telephone service. Because the President of the vendor organization was also the Treasurer of the Center's Board of Directors, transactions between the two companies were related-party transactions as defined by state regulations and needed to be reported as such on financial statements. When this matter was brought to the attention of agency officials, they notified the Department of Mental Health in writing that these related-party transactions had occurred.
- The Portuguese Youth Cultural Organization, Inc., a private nonprofit corporation that provides a variety of social services in the greater Fall River area, did not have effective controls over its cash management. For example, the agency did not perform regular reconciliations of any of its bank accounts and did not maintain accurate checking account registers. As a result, the agency was unable to routinely determine its cash position, maximize its interest on cash balances, or meet all of its financial obligations in a timely manner. In addition, for the period July through December 1999, the agency did not request reimbursements totaling approximately \$70,000 for program services that it had provided under its state contracts, because agency personnel did not have procedures for submitting the bills for payment. This created serious cash flow problems, which certain agency officials tried to address by prematurely cashing a \$75,000 certificate of deposit, for which an early withdrawal penalty of \$789 was charged, and by executing cash transfers among the agency's bank accounts to cover operating expenses. Moreover, the transfers were made by the Director of Operations without the knowledge of the Board of Directors or the Executive Director. While nothing came to the auditors' attention to indicate that funds were misappropriated, agency policy and prudent business practices require that board members and the Executive Director approve such transfers.

- The Portuguese Youth Cultural Organization, Inc., was not billing the Commonwealth for certain substance abuse-related services in accordance with state requirements. Specifically, insufficient efforts were made to verify patients' claims of financial indigence, and standardized sliding fee scales were not formally utilized to assess whether clients were able to contribute financially to their care. As a result, there was inadequate assurance that all billings for client substance abuse services, which during the audit period totaled \$446,000, were appropriate and allowable.
- The Portuguese Youth Cultural Organization, Inc., did not maintain accurate accounting ledgers, including a contract register that specifies various contract information. As a result, the agency submitted inaccurate information on required financial reports, including the omission, in one report, of at least six contracts/grants totaling \$18,631.
- The Portuguese Youth Cultural Organization, Inc., did not maintain in its personnel files all the information required by federal regulations, the terms and conditions of its state contracts, and its own internal policies and procedures. Missing information included employee evaluations, job descriptions, resumes, and Federal Employment Eligibility Verification Forms. In addition, the wages of eight full-time employees, who received additional income as consultants to the agency for performing group counseling sessions, were incorrectly reported to the Internal Revenue Service.
- The Childhood Lead Poisoning Prevention Program's Lead Paint Education and Training Trust Account was deprived of approximately \$429,000 in potential revenue earmarked for training for lead paint inspectors and for the production and distribution of pertinent educational materials. This is because the Division of Insurance, as of May 2001, had not billed property and casualty agents the calendar year 2000 \$25 annual lead paint surcharge required under state law. The Department of Public Health, which oversees this account, informed the OSA that, in response to this finding, annual surcharge billings for 2000 were sent out to 17,150 insurance agents in June 2001.

## Inadequate Controls over Property and Equipment

All state and private entities that receive funding for the purchase of equipment are required to keep complete inventories of fixed assets to ensure that the property is safeguarded and used for its intended purposes. The following reports identified areas where inventory controls needed improvement.

- The Center for Health and Development, Inc., was not maintaining complete and accurate inventory records that clearly list the description and location of each item, the date of purchase, the cost or fair market value, and whether state or private funds were the source of acquisition. In addition, the agency did not have policies and procedures in place to restrict access to its fixed assets. Because of these deficiencies, there was inadequate assurance that the Center for Health and Development's furniture and equipment were properly safeguarded or accurately reported on financial statements.
- The Portuguese Youth Cultural Organization, Inc., did not maintain a complete and accurate inventory of its furniture and equipment. In addition, the agency could not provide documentation to adequately identify whether state or private funds were used to purchase items and did not have any policies and procedures in place to restrict access to its fixed assets. As a result, there was inadequate assurance that the agency's fixed assets were properly safeguarded or accurately reported on financial statements.

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## Questionable or Unallowable Billings and Expenditures

The following examples of questionable or unallowable charges and reimbursements, which reduce funds available for service provision, were noted.

- The Center for Health and Development, Inc., during the audit period, charged \$39,972 in expenditures that were not properly documented or non-program-related. According to state regulations, such expenses are unallowable and nonreimbursable under state contracts. In addition, the agency did not have any policies relative to staff members attending conferences. As a result, the agency incurred at least \$44,685 in potentially excessive conference costs, including having as many as thirteen employees attend the same conference. See page 69.
- The Portuguese Youth Cultural Organization, Inc.'s Treasurer served as the agency's interim Executive Director although the agency already had an Executive Director who was still overseeing the organization's day-to-day operations. Further, the interim Executive Director could not provide any documentation, such as a copy of a formal board vote, to substantiate that the appointment had been approved. As a result, approximately \$14,000 paid to the interim Executive Director during the audit period was duplicative and unnecessary. The audit also noted that the interim Executive Director used a corporate credit card to incur \$320 in personal charges. When the interim Executive Director was notified of this issue, he repaid the \$320 to the agency.
- The Portuguese Youth Cultural Organization, Inc., billed and received \$2,665 in payments from the Department of Public Health (DPH) for substance abuse services for 26 clients who did not receive these services. Agency officials stated that the billing errors were a result of insufficient management review of the billing process, as well as inadequate staff training. The OSA recommended that DPH officials, in addition to recovering the \$2,665 disclosed in the audit, should examine records relative to billings for substance abuse services for fiscal years prior and subsequent to the audit period and recover any additional funds they deem appropriate.

## Special Audit Section

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### The Medication Administration Program (MAP)

The OSA assessed certain aspects of MAP as administered and monitored by the Department of Public Health (DPH), the Department of Mental Health (DMH), and the Department of Mental Retardation (DMR). The program was initiated in August 1993 after an OSA audit report (No. 87-1080-3) disclosed that, contrary to state law, unlicensed and untrained individuals were administering medications to residents of DMH and DMR group homes. Under MAP, which is governed by DPH regulations, training and certification is provided to direct care staff working in residential programs operated by DMH and DMR.

The audit found that the establishment of MAP has brought about improvements in the way medications are administered to individuals in DMH and DMR community-based residences. However, certain deficiencies in the administration and oversight of the program still needed to be addressed in order to ensure that medications are administered to individuals in as safe and responsible a manner as possible. Results of the review are detailed below.

- The Medication Occurrence Reporting process, utilized by contracted service providers for documenting and reporting medication administration errors, needed improvement. Specifically, service providers, in 40%-71% of the records reviewed, did not report in writing, in a timely manner, to either DMH or DMR, all incidences of medication administration errors. Moreover, in 57%-68% of records reviewed, service providers did not report medication administration errors that resulted in a medical intervention, such as hospitalization, within 24 hours, as required. Finally reports that were filed were not effectively utilized to identify and further train the individuals who made medication errors.



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- DPH was not performing an adequate number of clinical reviews of the use and administration of prescription medications at community-based programs. Only one person was assigned to review approximately 250 community-based programs involving 2,441 sites. As a result, from the inception of the clinical review process to the end of the audit period, only 43 (17%) of the programs at 138 (6%) sites had been reviewed. Furthermore, DPH did not have written policies and procedures detailing when and how clinical reviews were to be conducted. Until DPH conducts clinical reviews at all program sites on a regular basis, the Commonwealth cannot be assured that medications are administered to residents of community-based programs in the safest and most consistent manner.
  - MAP training and participation requirements were less comprehensive than similar certification programs in other states. Data from eleven states that responded to an OSA survey indicated that a majority of states required more hours of training to administer medications than did Massachusetts and, unlike Massachusetts, several states had continuing education requirements. Furthermore, Massachusetts was the only state surveyed that allowed unlicensed individuals to administer medications without supervision by a licensed professional. The OSA recommended that DPH consult with the Massachusetts Nursing Association and other health care professionals regarding MAP program eligibility, training, and continuing education provisions to determine the adequacy of program requirements. DPH should then take whatever measures it deems appropriate to enhance the quality of MAP- certified staff.

## Initiatives

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The following is an update of planned and ongoing initiatives in the area of health and human services.

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### Department of Mental Retardation (DMR): Leasing and Purchasing Activities

- The OSA is reviewing DMR's policies and practices for leasing and purchasing community residences for its clients. The audit will include an examination of costs associated with DMR's lease/purchase activities as well as compliance and procedural issues.

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### Review of State-Funded Day Care Services

- The OSA is conducting a statewide audit to determine the extent to which state-funded day care services are available to eligible families throughout the Commonwealth. This review will include audit work at the Office for Child Care Services (OCCS), the Department of Education (DOE), and selected day care providers. At each state agency, the audit will review regulations, guidelines, and policies governing day care programs; identify the day care services currently offered; determine the total state funding provided for each target population; and identify each agency's service providers. The audit will also include efforts made by OCCS and DOE to coordinate the delivery of day care services and to identify those geographical areas in need of additional service.

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### Review of the Salary Reserve Program for Direct Care Workers

- The OSA is conducting a statewide review of the policies and procedures established by the Division of Operational Services and state purchasing agencies for implementing, administering, and monitoring the Salary Reserve Program. The audit will review controls in place at both the state and vendor level to ensure that those eligible to receive funds from these programs are actually receiving them and that all funds are being used for intended purposes.

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### Vendor Audits: Corrective Action Follow-up Review

- The OSA is conducting a follow-up review of findings reported in prior vendor audits to determine the status of corrective actions taken and restitutions agreed to and paid.
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## Independent and Housing Authority Audits

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During the report period, the OSA issued reports relative to 75 independent entities, of which 31 audits were federally mandated reviews of state-administered federal and state programs. One of the reports issued reviewed certain real estate activities of the Massachusetts Bay Transportation Authority. Another of these reports examined property acquisition and utilization by the Massachusetts Port Authority.

## Audit Results

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### Deficiencies in the Acquisition, Management, and Oversight of Property by Certain Independent Authorities

During the audit period, the OSA issued two reports relative to real estate activities at independent authorities. One report reviewed oversight by the Massachusetts Bay Transportation Authority (MBTA) of contract management of two Master Leases for concession space at six stations along the Orange Line and at Alewife Station on the Red Line. The other report examined acquisition by the Massachusetts Port Authority (Massport) of the Medford Street Terminal in Charlestown and the property's subsequent utilization. Results of these audits are detailed below.

- The MBTA did not properly monitor or collect rental payments due from Master Tenants under its Master Leases. Furthermore, rather than taking prompt action to evict a Master Tenant for nonpayment of rent, the MBTA granted rent concessions to this tenant that waived back rent, severely reduced contract rents for the remaining term, and granted a twelve-year option renewal period. As a result of management decisions that placed the interests of contractors above those of the Commonwealth, the MBTA lost \$10.9 million in contracted rent and an additional \$4.3 million in potential future rent.
- The MBTA granted improper and unwarranted rent credits and expense reimbursements to a Master Tenant. As a result, \$1.4 million in expenses that were contractually the Master Tenant's responsibility were borne by the MBTA.
- The MBTA did not collect more than \$311,274 that was due the Authority under its Master Lease agreements for electricity supplied to concessionaires at stations on the Orange Line and at Alewife Station on the Red Line.

- Massport purchased two land parcels in Charlestown, known collectively as the Medford Street Terminal, as part of an effort to preserve waterfront sites for the development of the Port of Boston. However, Massport did not have a plan for utilizing the property or recovering costs and did not consider limitations on the use of the property. Moreover, the Authority paid \$7,399,392 for the parcels, more than the price recommended by its staff or by consultant evaluations of the property's worth. As a result, Massport incurred unnecessary costs for property restricted to water-dependent industrial use. Since November 2000, the property has been used to store imported automobiles before they are distributed to car dealerships and, at the close of the audit period, no alternative usage was planned. As of January 2001, the total cost to acquire, maintain, and clean up the property, net of rental income, was more than \$12 million. Had Massport invested the funds utilized to purchase the Medford Street Terminal in U.S. Treasury notes or similar government securities, it could have realized over \$13 million in potential interest income.

## Inadequate Controls over Property and Equipment

Complete inventories of property and equipment help to ensure that fixed assets are safeguarded and used for their intended purpose. In addition to ensuring accountability for fixed assets, adequate inventory records serve as a source of insurance coverage information in the event of a casualty loss, as a comparison with the previous year's physical inventory, and as financial planning data. The following reports identified areas where inventory controls needed improvement.

- Hingham Housing Authority, while substantially improving inventory controls, was not able to reconcile its inventory to its general ledger because it did not have records pertaining to the historical cost of fixed-asset items. Until the cost component of its inventory takes place, the Authority cannot accurately report its assets on financial statements.
- Wareham Housing Authority was not performing required annual physical inventories of property and equipment and was not reconciling its inventory listings with its General Ledger balance. As a result, there was inadequate assurance that the Authority's fixed assets were properly safeguarded or accurately reported on financial statements.

## Prior Audit Results: Corrective Actions

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A review of prior audit results is an important component of each OSA audit. This follow-up review helps to monitor and recognize agency compliance with OSA recommendations. The following authorities have taken corrective actions as recommended by the OSA.

Amherst Housing Authority	<ul style="list-style-type: none"> <li>■ The Authority has resolved an issue relative to the proper disclosure of certain reimbursements for educational expenses incurred by its Executive Director.</li> </ul>
Belchertown Housing Authority	<ul style="list-style-type: none"> <li>■ The Authority has made significant progress in reducing delays in preparing and renting vacant apartments.</li> </ul>
Cape Ann Transportation Authority	<ul style="list-style-type: none"> <li>■ The Authority has improved its payroll practices by maintaining appropriate payroll approvals, time reports for hours worked, and records of accumulated employee leave time.</li> </ul>
Hingham Housing Authority	<ul style="list-style-type: none"> <li>■ The Authority has improved its administrative controls by appropriately monitoring disbursements; properly recording sick and vacation leave; and implementing an effective cash management system, including the timely deposit of cash receipts.</li> <li>■ The Authority has improved the accuracy of its tenant accounts receivable records, as well as compliance with tenant selection rules and regulations.</li> </ul>
Hopedale Housing Authority	<ul style="list-style-type: none"> <li>■ The Authority, during the audit period, complied with the state's competitive bidding regulations, including the requirement that quotes be obtained for contract awards costing between \$5,000 and \$25,000.</li> </ul>

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**Mashpee  
Housing  
Authority**

- The Authority, during the audit period, deposited receipts derived from the use of its washing machines and dryers into its bank account in a timely manner.
- The Authority improved the management and accuracy of its tenant accounts receivable balance and its annual rental recertification process. All files tested during the follow-up audit were properly documented, with leases and addendums signed during the scheduled recertification period.
- The Authority executed a formal contract with its Fee Accountant, which was reviewed and approved by the Department of Housing and Community Development, as required.
- The Authority has improved management of a contract program, under which it is to place income-eligible tenants in 38 apartments at a privately owned apartment complex. During the audit period, nine of eleven units, designated under the contract for low-income residents but rented instead to higher-income, non-Authority tenants, were recovered and appropriately re-rented. The two additional units were expected to be available to the Authority in the near future. Additionally, \$2,175 that the Authority had billed for administrative fees for units not occupied by low-income tenants was credited back to the Department of Housing and Community Development.

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**Massachusetts  
Educational  
Financing  
Authority**

- The Authority has appropriately developed prepaid tuition savings and loan programs for Massachusetts residents who attend out-of-state colleges and universities. Programs to assist those residents who planned to attend in-state institutions of higher education were already in place.



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**Mattapoisett  
Housing  
Authority**

- The Authority has utilized new computer software to improve the accuracy of its rental charges and income documentation. During the audit period, ledger cards properly reflected each tenant's complete accounts receivable history. Authority officials have also improved rent collection and deposit procedures by formally adopting and implementing a daily deposit policy.
- The Authority has substantially reduced potential rental income loss by more promptly filling vacant apartments.
- The Authority has corrected previously noted errors in sick leave balances and, during the current audit period, used correct calculations in determining leave credits.

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**Salisbury  
Housing  
Authority**

- The Authority has improved its rent collection policies and put proper procedures in place for authorizing write-offs of tenant account receivables that are deemed uncollectible.

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**Wareham  
Housing  
Authority**

- The Authority has improved its accounting and administrative controls, including the monitoring of expenses, thereby eliminating cost overruns in program accounts and correcting calculation and posting errors. In addition, the Authority has paid past-due Medicare taxes to the Internal Revenue Service and was correctly withholding these taxes, as required, for those employees required to pay them.

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**Woburn  
Housing  
Authority**

- The Authority has hired a bookkeeper who is assisting officials in maintaining program records and accounts in accordance with state and federal requirements.

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**Yarmouth  
Housing  
Authority**

- The Authority has substantially reduced lost potential rental income by preparing vacated apartments for occupancy within time guidelines set by the Department of Housing and Community Development.
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## Initiatives

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The following is an update of planned and ongoing OSA initiatives in the area of authority audits.

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### Massachusetts Bay Transportation Authority (MBTA)

- The OSA has initiated an audit of the MBTA's procurement process for the purchase of low-floor handicapped accessible green line cars. The report will include, but not be limited to, an assessment of MBTA compliance with competitive bidding requirements; contract costs, including change orders if applicable; and operational and safety issues. The audit will also examine the efforts undertaken by the MBTA and the contractor to correct operational problems, review the revised timetable for contract completion, and assess the MBTA's legal options for possible contract termination.

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### Massachusetts Bay Transportation Authority (MBTA)

- The OSA has issued an audit of the MBTA's privatization contract for real estate management. This review focuses on selected transactions conducted by the contractor, as well as the appropriateness of all fees, commissions, and bonuses earned; the adequacy of documentation to support transactions; and contract oversight. This audit, which will be detailed in the next Semi-Annual Report, is available from the Office of the State Auditor at (617) 727-2075.

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### Massachusetts Port Authority (Massport)

- The OSA is continuing a review of Massport's property management activities, with emphasis on lease and rental agreements. The audit is also examining policies and procedures for tracking and collecting rental income and will determine whether lease and rental rates are adequate and appropriate.

## Judiciary/Law Enforcement Audits

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During the report period, the OSA issued audits pertaining to 77 judiciary/law enforcement entities. One of these reports reviewed the receipting, accounting, and reporting of bail funds at the district courts. Activities also included technical assistance provided to the Worcester County District Attorney's Office relating to four separate investigations.

## Audit Results

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### Inadequate Accounting and Administrative Controls

Adequate accounting and administrative controls help to ensure that state appropriations are spent properly and efficiently, and that funds raised through assessments, fines, and fees are appropriately collected, receipted, recorded, disbursed, and reported. The following reports identified areas where management and accounting controls needed improvement.

- The Hampden Sheriff's Department, which was established as an independent state department when Hampden County Government was abolished in 1997, did not annually review and renegotiate the reimbursement rates for housing federal prisoners as allowed under its contracts with the Federal Bureau of Prisons and the United States Marshals Service. As a result, reimbursement rates were not adjusted to reflect the rise in cost of housing these prisoners. Estimates provided by Sheriff's Department administrators indicated that actual costs had risen from the contracted amount of \$65 to \$72 per inmate per day. Based upon this calculation, the Hampden Sheriff's Department could have received an additional \$61,700 in federal reimbursements for the period July 1, 1999 to June 30, 2001.
- The Hampden Sheriff's Department had not changed its employee health premium share from 10% to 15%, although it was required to do so once union agreements containing the lower premium had been renegotiated. Although the renegotiated union contracts were signed on November 6, 2000 and were retroactive to July 1, 1999, as of December 31, 2000, all 815 transferred employees, including 35 non-union employees, were still paying the 10% share. Sheriff Department administrators responded that the 15% employee contribution rate would take effect in April 2001 or July 1, 2001 if approval could be obtained from The Group Insurance Commission to wait until the later date.

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- The Hampden Sheriff's Department deposited telephone revenues, totaling in excess of \$725,000 for the period July 1, 1999 through December 31, 2000, into its Commissary Fund. However, since the Sheriff's Department is now a state entity, it may fall under a statute requiring that these revenues be deposited in the Commonwealth's General Fund. Currently, two laws address the deposit of these revenues, one directing that the funds be forwarded to the General Fund and the other providing that they be deposited into the Commissary Fund. The OSA recommended that the Sheriff's Department obtain legal clarification to resolve the issue of which statute applies and where telephone revenues should be deposited.
  - The Hampden Sheriff's Department was continuing to allow civil processing fees to be collected, retained, and expended by Hampden County Sheriffs, Inc., a for-profit company that had served various documents, such as summonses, warrants, and subpoenas, for the Sheriff's Department for many years. However, since the Sheriff's Department is now a state agency, civil processing fees collected on its behalf may have to be deposited in the Commonwealth's General Fund.
  - The Trial Court's administration of the Court Facilities Rental Account adhered to proper internal controls and complied with state laws and regulations, except that the Court Facilities Council, which has mandated advisory and monitoring duties relative to leased facilities, had not met since 1996. Prior and current Administrative Office of the Trial Court justices have petitioned governors to appoint the new members necessary for the Council to fulfill its responsibilities. However, the appointments have not been made, and the Council therefore has not been able to fulfill its intended oversight duties.

## Special Audit Section

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### Trial Court of the Commonwealth: Bail Fund Management

Bail in cash and other forms is the security given to the Trial Courts in order for indicted individuals to obtain their release and to ensure their appearance in court at a future date. If a person out on bail fails to appear in court on the specified date, the bail is forfeited to the court and the person is subject to re-arrest. The Administrative Office of the Trial Court (AOTC), which is responsible for the fiscal management of bail funds, has issued a Fiscal Systems Manual detailing control procedures that courts must follow for the receipt, accounting, and reporting of bail funds; the return of bail; and the remitting of forfeited and unclaimed bail to the State Treasurer. The OSA conducted an audit of bail fund management at the Commonwealth's 69 district courts. The results of this audit, which disclosed that of \$2,419,194 in bail funds tested, \$598,480 was not in compliance with AOTC requirements, are detailed below.

- Eleven of eighteen district courts tested needed to strengthen internal controls over the processing of unclaimed, forfeited, and abandoned bail. Specifically, of 704 bails totaling \$836,443, the owners of 87 unclaimed bails were not properly notified; 42 forfeited bails were not remitted to the State Treasurer; and 58 abandoned bails had not been transferred to the abandoned property fund. These issues involved bails totaling \$203,237 (24%) of the amount tested at these locations.
- Ten of the eighteen courts visited did not properly and consistently forfeit bail of delinquent defendants. Seventy-seven bails totaling \$75,850 were not ordered forfeited after defendants failed to appear for scheduled court dates. The majority of these cases were identified at the Springfield and Taunton District Courts, which retained, respectively, 32 and 15 bails totaling \$46,600 that should have been remitted to the Treasury as forfeited bails.

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- Eight district courts had internal control issues relating to accounting functions, including inadequate recordkeeping, lack of documentation to support bail disbursements, improper validation of bail receipts, and lapses in the safeguarding of bails collected during court hours. These also included two courts that processed 378 bails totaling \$108,776 that, contrary to AOTC requirements, were applied to cases outside of their jurisdiction. In addition, one court did not process \$9,195 in checks that were over 90 days old, and another court retained a \$15,000 bail on a criminal case that had been transferred to another jurisdiction. When notified of this latter oversight, court personnel immediately processed a bail transfer to correct the issue.
  - Four courts needed to improve the preparation, accuracy, and timeliness of their Detail Account Trial Balance of bail funds, a required monthly report that itemizes bail funds by case. In addition to late reports filed by three of the courts, the Fall River District Court did not prepare a Detail Account Trial Balance of Bail funds during the entire 14-month period under review. The audit also noted that all four courts had unreconciled variances that should have been reported to the State Auditor as required under Chapter 647 of the Acts of 1989. On related issues of timeliness and accuracy, Bail Magistrates at six courts did not remit all bail funds and accompanying forms to Clerk-Magistrate's Offices in a timely manner and one court that reported releasing 45 defendants on bail during a three-month period had actually released 58 defendants during the time period.

## Prior Audit Results: Corrective Actions

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A review of prior audit results is an important component of each OSA audit. This follow-up review helps to monitor and recognize agency compliance with OSA recommendations. Corrective actions based on OSA recommendations were taken by the following entities.

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### The Trial Court of the Commonwealth

- The Dedham, Lowell, Plymouth, and Stoughton district courts were properly forwarding bail funds to the State Treasurer.
- The Dedham, Dudley, Haverhill, and Taunton district courts had significantly improved internal controls over the financial reporting of bail.
- The Haverhill and Plymouth district courts had improved accounting controls, including the timely reconciliation of bank statements and depositing of receipts.



# Initiatives

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The following is an update on an ongoing judiciary/law enforcement initiative.

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## Review of Forfeited Funds/Property at District Attorneys' Offices

- The OSA will conduct a statewide audit of the forfeited funds and property received by Massachusetts District Attorneys' Offices. The audit will examine the financial records relating to forfeited funds and property and will also evaluate compliance with applicable laws, rules, and regulations, including Chapter 647 of the Acts of 1989, the Internal Control Statute. Specific objectives include a determination of the adequacy of internal controls over forfeitures and whether forfeited funds were expended and forfeited property utilized in accordance with authorized guidelines.

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## Other Audit Reports

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During the report period, the OSA issued audits pertaining to 113 various agencies, boards, commissions, and funds. Five of these audits reviewed Information Technology (IT) activities and are detailed in the IT Audit Section, which begins on page 54.

# Audit Results

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## Inadequate Accounting and Administrative Controls

Adequate accounting and administrative controls help to ensure that state appropriations are spent properly and efficiently, and that funds raised through assessments, fines, and fees are appropriately collected, recorded, and disbursed. The following reports identified areas where management and accounting controls needed improvement.

- The Community Economic Development Assistance Corporation's Board of Directors did not use the proper salary schedule and, consequently, overpaid its Executive Director \$4,702. Further, overtime was calculated using the wrong base salary and was paid in equal installments averaged over the course of the year, resulting in overtime payments of \$4,509 while the Executive Director was on vacation. Finally, the Executive Director was paid an unauthorized \$11,451 increment adjustment. The audit did note that the General Salary Schedule that statutorily determines the Executive Director's compensation had not changed in fifteen years and resulted in compensation less than that of comparable positions at other agencies. However, the report recommended that the Corporation seek legislative redress rather than make salary adjustments that do not comply with state law.
- The Massachusetts Aeronautics Commission did not register pilots who have Federal Aviation Administration (FAA)-issued licenses and who operate aircraft in Massachusetts. Although the Commission had contacted the FAA and obtained information regarding FAA-licensed pilots, this information was not utilized to establish a database for the required registration of pilots in compliance with Chapter 90 of the General Laws. The Commission's Executive Director responded that legislation would be submitted to eliminate the statutory registration, which the Commission believes to be a duplication of FAA licensing.

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**Inadequate  
Accounting and  
Administrative  
Controls**  
*(continued)*

- The Massachusetts Highway Department's District Two Office needed to improve internal controls over the use of state-leased and contractually provided vehicles. With respect to state-leased vehicles, annual costs for which totaled \$255,000, District Two paid for leases on vehicles that were out of service for long periods of time, did not properly monitor fuel consumption or reconcile its vehicle logs with the Central Office's computerized fuel consumption records, and did not comply with administration directives regarding review of fringe benefit tax reporting information submitted by employees that use state vehicles. The audit also included a review of vehicle usage under 24 contracts for which District Two expended over \$409,000 during the audit period. This review found that District Two did not comply with Commonwealth rules limiting usage of contract vehicles to specific categories of employees, did not require that vehicle logs be maintained for contract vehicles, and did not provide required Internal Revenue Service income information forms to employees who were using contract vehicles. In addition, sixteen contracts had cost overruns totaling \$183,970, and monthly vehicle costs on 23 of 24 contracts were more expensive than the most expensive state-leased vehicle. The audit estimated that, had District Two leased all its vehicles through the state's Office of Motor Vehicle Management, it could have saved between \$189,987 and \$269,324.
- The Massachusetts Highway Department's District Two Office needed to improve the management and administration of its contracts with providers of a variety of services, including snow and ice removal, road construction, and bridge repair. Specifically, District Two did not properly maintain contract cellular telephone records, did not properly monitor certain payments, did not submit necessary forms to initiate cost recovery procedures, and did not always charge costs to the appropriate contract. As a result of these deficiencies, it was difficult to ascertain whether all charges were reasonable and accurate or if all contractor credit issues were resolved in a timely manner.
- The Standardbred Owners Association, Inc., allowed its Treasurer to control the organization's financial transactions, including writing and signing checks without a co-signer or second-party approval of expenses. Although no financial irregularities were noted, an adequate level of internal controls requires proper oversight and segregation of financial duties.

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## Inadequate Controls over Property and Equipment

All state entities are required to keep complete inventories of fixed assets in order to ensure that property and equipment are safeguarded and used for the purposes intended. The following report identified areas where inventory controls needed improvement.

- The Massachusetts Highway Department's District Two did not complete a physical review of its stockroom inventory or its office furniture and equipment during the period July 1, 1998 to June 30, 2001. In addition, the District did not properly tag and record certain pieces of contractually provided information technology equipment. As a result, District Two could not be assured that its fixed assets were adequately safeguarded or accurately reported on financial statements.

## Special Audit Section: Revenue-Related Audits

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### Agency Compliance: Year-End Closing Instructions for Cash and Revenue Management

The OSA observed and reviewed procedures for depositing and recording cash and revenue at 38 state agencies in order to determine whether all receipts for fiscal year 2001 were reported on the Commonwealth's official books of account and were deposited with the State Treasurer's Office in accordance with the Office of the State Comptroller's year-end closing instructions. The audit revealed that all 38 agencies reviewed were complying with fiscal year 2001 closing instructions. However, two agencies needed to improve their overall internal controls over the processing of revenue, as noted below.

- Bridgewater State College and Westfield State College did not transfer their cash receipts to the Department of the State Treasurer's designated account on a regular and timely basis over the course of the year. As a result of untimely transfers, the Commonwealth lost potential interest income earnings. Furthermore, in the case of Westfield State College, delays in the deposit of revenues into a local bank account, as well as in the transfer of those revenues to the State Treasurer, increased the risk of a possible loss, theft, or misuse of funds.

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## Agency Compliance: Year-End Closing Instructions for Encumbrance and Advance- Fund Management

The OSA reviewed encumbrance transactions at 48 state agencies to determine compliance with the requirement that goods and services purchased with fiscal year 2001 funds be received by June 30 and properly entered into the Massachusetts Management Accounting and Reporting System. The audit also examined advance-fund management in order to evaluate documentation supporting open encumbrance balances. Agency compliance was high, with approximately 95% of transactions reviewed in compliance with closing instructions for encumbrances. However, five agencies reviewed were not in full compliance, as detailed below.

- Five payments processed by three agencies totaling \$139,810.08 selected for review out of 118 encumbrances totaling \$75,516,640.56 utilized fiscal year 2001 funds for goods and services received after the June 30 cut-off date. Agencies cited were the Middlesex Sheriff's Department, the Secretary of State's Office, and the Department of the State Police.
- Three payments processed by the Commission on Criminal Justice (\$5,168.91), the Department of Mental Retardation (\$16,666.00), and the Middlesex Sheriff's Department (\$7,737.04) utilized fiscal year 2001 funds for goods or services received prior to July 1, 2000.

## Chapter 62F Tax Cap Determination

Pursuant to Chapter 62F of the Massachusetts General Laws, the State Auditor is charged with annually determining whether the net state tax revenues of a particular year exceeded allowable state tax revenues for that year. The most recent review determined that the net state tax revenues for the fiscal year ended June 30, 2001 of \$16,750,682,780.45 were below allowable state tax revenues of \$18,275,231,745.25 by the amount of \$1,524,548,964.80. Therefore, no excess tax revenues, as defined in Chapter 62F, MGLs, existed for fiscal year 2001.

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## The Massachusetts Highway Department's (MHD) Statewide Road and Bridge Program Expenditures

The Massachusetts Highway Department is required under state and federal directives to utilize its annual federal highway allotment in a balanced manner that adequately funds road and bridge projects other than those associated with the Central Artery (CA/T) Project. The federal Department of Transportation's 2001 Appropriations Act requires Massachusetts to expend \$400 million for transportation construction activities exclusive of the CA/T Project. The Massachusetts Legislature, through Section 12 of Chapter 87 of the Acts of 2000, provided MHD with an additional state appropriation of \$100 million per year for five years to ensure that sufficient resources would be available to meet this federal requirement. The OSA audit examined MHD expenditures on road and bridge projects to determine whether the agency properly allocated at least \$400 million in fiscal year 2001 for Statewide Road and Bridge Program expenditures. Results of this review are detailed below.

- As of August 31, 2001, MHD reported expenditures and transfers of \$447 million for its fiscal year 2001 Statewide Road and Bridge Program. This amount exceeded the required \$400 million for fiscal year 2001 by \$47 million. The OSA review of payment vouchers and other transactions verified the accuracy of MHD's reported expenditures and confirmed that the agency's activities met agreed-upon compliance criteria.
- The audit did note certain ancillary matters that needed to be addressed. Eighteen payment vouchers, or 5% of those tested, totaling \$15 million, represented payments for work done entirely in a prior or subsequent fiscal year. In addition, certain transfers of funds, while meeting the terms of the Memorandum of Understanding between MHD and twelve Metropolitan Planning Organizations, were for transportation projects other than roads and bridges, and a significant portion of these funds had not been expended.



## Prior Audit Results: Corrective Actions

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A review of prior audits is an important component of each OSA audit. This follow-up review helps to monitor and to recognize agency compliance with OSA recommendations. Corrective actions, based on OSA recommendations, were taken by the following entities.

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### Massachusetts Aeronautics Commission

- Regarding aircraft operating in the Commonwealth, the Commission has made substantial progress in reconciling its data with Federal Aviation Administration records. During the audit period, the Commission implemented an internal software program that is assisting in this effort and also being used in collecting aircraft registration fees.
- The Commission, during the audit period, utilized its aircraft solely to conduct official business.

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### Standardbred Owners Association, Inc.

- The Association has taken specific steps to promote the horse breeding and racing industries in Massachusetts, which is its main purpose, by eliminating possible inequities in the scheduling of walkover races and by changing purse structures.
- The Association has improved its procedures for advertising the standardbred sire stakes racing program. The entity now has an extensive distribution system, including an Internet Web site, which reports the complete racing schedule, the purse structure, and other pertinent information well in advance of these races.

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**Year-End  
Closing  
Instructions for  
Cash and  
Revenue  
Management –  
Fiscal Year  
2001**

- The New Bedford District Court and the Stoughton District Court, entities with previous deficiencies, properly deposited and accounted for their fiscal year 2001 revenue.
- The Department of Revenue's regional offices were maintaining detailed records of receipts collected and were performing proper account reconciliations.
- The Department of Education deposited its cash receipts in a timely manner.

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**Year-End  
Instructions for  
Encumbrance  
Management –  
Fiscal Year  
2001**

- The Department of Mental Health, the Massachusetts Maritime Academy, and the Worcester District Attorney's Office corrected deficiencies relative to encumbrance management by paying for goods and services received with appropriate fiscal year funds.

## Initiatives

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The following are among planned and ongoing initiatives relative to various state agencies and programs.

Depression of the Central Artery/Third Harbor Tunnel	<ul style="list-style-type: none"> <li>■ The OSA is reviewing and assessing the system of internal controls that the Massachusetts Highway Department and the Massachusetts Turnpike Authority have established for estimating, monitoring, and controlling project costs in order to identify system weaknesses and opportunities for savings; cost avoidance; and adherence to timing, scheduling, and performance requirements. This audit will result in a series of reports, fifteen of which have been issued.</li> </ul>
Review of the Use of Consultants by State Agencies	<ul style="list-style-type: none"> <li>■ The OSA will review and analyze controls over consultant contracts at selected agencies, as well as agency compliance with applicable laws, rules, and regulations. The audit will include, but not be limited to, an examination of contract payments, performance standards, and duration. Issues such as whether state agencies are paying more for services than necessary or are allowing consultants to supervise state workers will also be addressed.</li> </ul>
Massachusetts Highway Department: Snow and Ice Removal	<ul style="list-style-type: none"> <li>■ The OSA has issued an audit relative to the expenditure of funds by the Massachusetts Highway Department for the removal of snow and ice. This report, which will be detailed in the next Semi-Annual Report, is available from the Office of the State Auditor at (617) 727-2075.</li> </ul>
Review of Revenue Processing by Registry of Deeds Offices	<ul style="list-style-type: none"> <li>■ The OSA is conducting a statewide audit of revenue processing by registry of deeds offices in the Commonwealth. The review will identify all sources of fees and revenues and determine whether formal, written policies exist regarding the collection, accounting, and depositing of said fees and revenues. Internal controls over fees and revenues will also be reviewed to determine their adequacy.</li> </ul>

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## Review of Retirement Boards

- The OSA has issued a review of internal controls over administrative and operating costs at various retirement boards. This audit, which will be detailed in the next Semi-Annual Report, is available from the Office of the State Auditor at (617) 727-2075.

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## Single Audit of the Commonwealth

- During fiscal year 2003, the OSA will once again be a partner in performing the “Single Audit of the Commonwealth,” a comprehensive annual audit of the Commonwealth as a whole that encompasses the accounts and activities of all state agencies. This audit satisfies the federal and state requirements to audit the Commonwealth of Massachusetts’ financial operations consisting of its accounts, programs, activities, funds, and functions, as well as specified compliance issues.
- As a partner in the “Single Audit,” the OSA will also provide staff resources for the audit of federal programs to determine whether the state is in compliance with applicable federal laws, rules, and regulations. The OSA will conduct audit procedures that are needed to render an opinion on the Commonwealth’s Comprehensive Annual Financial Report.
- The OSA will also participate substantively in the “Single Audit of the MBTA” by testing certain capital and operating expenditures to determine the MBTA’s compliance with various federal requirements. In addition, the OSA will continue to assist housing authorities and other entities in meeting their responsibilities under the Federal Single Audit Act.
- In addition to the reports listed in the Appendix, the following reports are issued annually in compliance with state and federal laws and regulations:

**Statutory Basis Financial Report**

**Comprehensive Annual Financial Report**

**Report on Compliance and Internal Control in Accordance with Government Auditing Standards**

**Report on the Requirements of OMB Circular A-133**

**Report on the Schedule of Expenditures of Federal Awards**

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### Statewide Review of the HR/CMS Payroll System

- The OSA is conducting an audit of the Commonwealth's new payroll system, HR/CMS, to determine whether there are adequate internal controls within the system and at the agency level to safeguard state payrolls. The audit will examine compliance with the Comptroller's Payroll Manual, the HR/CMS Manual, and other applicable criteria.

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### Statewide Review of Fees for Services

- The OSA is conducting an audit to determine whether the fees charged by state agencies for various services, permits, licenses, and inspections are set at the amounts mandated by state laws and regulations. The audit will also determine the monetary effect on the Commonwealth of any identified instances of noncompliance.

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### Status of Vendor Audits

- The OSA is reviewing issues reported in prior vendor audits. This follow-up report is being conducted with appropriate state oversight agencies to determine whether corrective action has been taken on identified issues and whether restitutions of unallowable expenditures charged to state contracts have been made.

# Information Technology Audits

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During the report period, the OSA's Information Technology (IT) Audit Division issued eight audit reports detailing strengths and weaknesses of internal controls within IT-related and certain financial-related areas.

Information technology auditing is the process of collecting and evaluating evidence to determine whether computer systems or technology environments are sufficiently controlled to provide reasonable assurance to meet operational and control objectives. Such objectives include: adequately safeguarding assets, maintaining data and system integrity, achieving organizational goals effectively, and consuming resources efficiently. The IT Audit Division conducts general and application internal control examinations that provide an independent, objective appraisal of the adequacy of internal controls over and within information systems and IT processing facilities. Information technology auditing also includes providing technical support to financial and performance auditors in evaluating IT-related or information systems-related controls and retrieving selected information from automated systems.

# Audit Results

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The primary audit responsibility of the IT Audit Division is to conduct internal control examinations of the Commonwealth's automated systems and IT processing environments. The objective is to determine whether sufficient controls are in effect to provide reasonable assurance that automated systems can be relied upon and that processing can be performed in an accurate, complete, valid, and timely manner. Audit objectives for information systems may include determining whether adequate controls are in place to provide reasonable assurance that control objectives regarding security, integrity, and availability will be met. This Division may also examine financial-related controls, which are generally reported in integrated IT and financial-related audits. Due in part to the impact of the tragic events of September 11, 2001, audit work during this report period has been largely focused on evaluating the adequacy of general security controls over and within the IT process environment. Audit results warranting management attention were disclosed in a number of areas, including disaster recovery and business continuity planning, environmental protection and physical security, system access security, and accounting, administrative, and inventory controls.

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## Disaster Recovery and Business Continuity Planning

The overall objective of disaster recovery and business continuity planning is to provide reasonable assurance that mission-critical or essential computer operations can be restored within acceptable periods of time in the event of significant disruptions or loss of processing capabilities. Other contingency planning objectives are to safeguard data, programmed software, and critical documentation; to ensure employee safety; to minimize security exposures and system damage; and to reduce the time required to recover from system disruptions or failure.

- The Division of Insurance had not fully tested its business continuity plan for restoring computer functions in the event of a substantial loss of IT operations. Division officials also needed to more fully detail recovery strategies with respect to various disaster scenarios and to regularly review and update business continuity strategies. The Division responded that it has updated its recovery plan to reflect significant systems changes and that its oversight agency, the Office of Consumer Affairs and Business Regulation, was separately backing up and providing off-site access to its servers.

- The Massachusetts Rehabilitation Commission, while following sufficient backup procedures, had not developed a formal business continuity plan to regain processing of mission-critical and essential business functions should its automated systems be rendered inoperable or inaccessible. Without sufficient recovery plans, including a viable processing site, a possible long-term loss of computer operations could hinder access to information related to the Commission's clients and programs. The OSA recommended that the Commission perform a risk analysis and criticality assessment, and then develop a business continuity plan that incorporates contingency plans to address various disaster scenarios. Commission officials responded that they were working with the Information Technology Division to develop formalized plans for operational recovery, particularly with respect to information on their new client tracking system.
- The Massachusetts Board of Library Commissioners did not have a formal, tested business continuity plan for the timely restoration of business functions should computer systems be rendered inoperable or inaccessible. Without adequate disaster recovery and business continuity planning, including a viable alternative processing site, the Board's operations would be adversely affected should its automated capabilities be significantly disrupted or lost. The OSA recommended that the Board perform a risk analysis and criticality assessment, and then develop, review, test, and implement a written disaster recovery and business continuity plan.



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## Environmental Protection Controls and Physical Security

Proper environmental protection and physical security for data centers, on-site and off-site media storage rooms, and hard copy records serve to minimize significant risks regarding staff safety and damage to, or destruction of, the physical plant, equipment, data, and software. In addition, adequate physical security serves to minimize the risk of unauthorized persons breaching security and gaining entry to areas housing valuable computer-related equipment and information, as well as to client records and other hardcopy materials.

- The Department of Social Services (DSS) needed to strengthen physical security controls at its central office and several regional offices. Specifically, certain file cabinets were not locked and were sometimes left unattended during business hours; at two offices, locked case-record rooms could be accessed from adjacent unsecured rooms; and at one office, records were not consistently returned to a secure case-record room at the close of the workday. As a result, DSS could not be reasonably assured that client records at all its offices were adequately protected from unauthorized access or disclosure.
- The University of Massachusetts-Dartmouth needed to improve certain environmental protection and physical security controls. Although environmental protection controls in the data center and at most selected computer sites were adequate, IT equipment at one building was exposed to excessive dust and potential damage from machinery located in the immediate area. With regard to physical security controls, one computer lab reviewed was inadequately protected in that its alarm system was not engaged and its door was often left open, even when the lab was unattended. The University responded that it was implementing new security measures to assure that computer lab doors would be properly locked and that key distribution and access would be more strictly monitored. University officials were also planning to purchase a secure rack enclosure for the network equipment housed in an environmentally unfit location.

## Inventory Controls: IT- Related Assets

All state entities are required to keep complete inventories of IT resources, such as computer equipment and software, to ensure that these fixed assets are properly safeguarded, accounted for, and used for the purposes intended. In addition, with respect to software, inventory records and periodic tests should be used to help prevent unnecessary software expenditures, software copyright infringement, and loss or theft of software products. Prevention of the unauthorized installation and use of software also decreases the risk of importing viruses, helps to ensure the integrity of data files, and protects agencies and individuals from the risk of legal action for copyright infringement.

- The Human Resources Division had not reconciled its physical inventory with its fixed-asset inventory records. As a result, the integrity of its inventory listing could not be assured. OSA tests of 50 laptop computers disclosed that management was unable to locate five laptops costing \$13,647. All other hardware items tested were in the location indicated on the inventory listing, and management took immediate action to update the inventory listing to reflect the missing computers. The Human Resources Division, during the audit period, also formally reported the lost laptops to the OSA, as required by Chapter 647 of the Acts of 1989, the Internal Control Statute.
- The Massachusetts Rehabilitation Commission did not have sufficient internal control procedures in place to safeguard and properly account for software packages installed on its automated systems, including microcomputer systems and laptop computers at Commission offices. Although the Commission maintained a computer equipment inventory, this listing did not include software packages, nor did the Commission maintain a separate software inventory listing. As a result, the Commission could not readily account for all copies of software or accurately report the total value of its IT assets on financial statements. The absence of a software inventory record also hindered the Commission's ability to determine whether only authorized software was residing on its systems.

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## On-Site and Off-Site Media Backup and Storage

Having sufficient and properly protected on-site and off-site storage of backup copies of magnetic media, software, and data files is a critical component of disaster recovery and business continuity planning. It is necessary to help prevent the loss of important data and to protect an agency's investment in computer software should original and on-site backup copies be destroyed. Failure to store critical information on site and off site places at risk an agency's ability to restore and resume critical processing within an acceptable period of time.

- The Division of Insurance, while appropriately generating backup magnetic media, needed to strengthen controls over storage of on-site and off-site backup tapes. The audit noted, for example, that copies of on-site backup media were not consistently stored in a secure and environmentally sound fashion. In addition, copies of backup tapes were stored at an employee's house contrary to Division policies designating another off-site storage location. As a result, there was insufficient assurance that backup copies were adequately safeguarded and accessible only to authorized personnel.

## Organization and Management Controls

Effective controls need to be in place over the general operation and management of IT facilities and projects related to automation of business functions. The organizational structure must provide a framework that helps ensure that resources are planned for and used in the most beneficial way, assets are safeguarded, reliable information is produced in a timely manner, and compliance with applicable laws and regulations is ensured.

- The Architectural Access Board did not have written policies and procedures in place to adequately address IT functions. Although Board IT operations are limited and are supported by office-based systems, overall practices would be strengthened by documenting policies and procedures regarding access security, physical security, hardware and software inventory control, information technology planning, business continuity planning, risk assessment, training, and data management.

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## System Access Security

Industry guidelines and baseline controls advocate that appropriate access security controls be in place for mission-critical or high-risk systems to ensure that only authorized personnel obtain system access. Access to automated systems should be granted on a need to know, perform, and protect basis. Written policies and procedures for access security administration should be in place to provide operational rules and guidelines for the security of informational assets and to ensure that appropriate and prompt actions are taken to review unauthorized access attempts. Without system access restrictions, such as the periodic changing or deactivating of passwords and user IDs for individuals no longer requiring or authorized to have access, unauthorized access could be gained, resulting in the risk of system data and programs being disclosed, damaged, deleted, or modified.

- The Department of Social Services (DSS) needed to strengthen certain control procedures in order to ensure that only authorized users have access to its Family/Net automated system. Although processes for granting and recording authorization and activating user access privileges were appropriate, there was no formal mechanism in place to ensure that logon IDs and passwords would be revoked for individuals no longer authorized or needing access to automated systems. As a result, fourteen (14.4%) of the 97 user accounts tested were active for individuals who no longer worked for or had a contract relationship with the Department. DSS management responded to this finding by promptly deactivating access privileges for users who were no longer authorized to access Family/Net. Subsequent to the close of the audit period, DSS also strengthened control practices regarding logon ID and passwords and was requiring more frequent password changes. DSS was also in the process of documenting control procedures regarding authorization, activation, and deactivation of access privileges for inclusion in its internal control plan.
- The Human Resources Division did not have sufficient procedures in place to ensure notification to its security administrator when an employee or consultant had terminated employment. As a result, active user accounts existed for some individuals who had not been employed by the Division for more than a year. When this finding was brought to the Division's attention, management took immediate steps to improve procedures for activating and deactivating accounts, including the removal of the IDs of individuals no longer authorized to utilize its automated systems.

- The Massachusetts Rehabilitation Commission had not fully implemented the security software installed on its automated systems. Specifically, features requiring a minimum password length and set frequency of password change were not being utilized. In addition, access controls needed to be strengthened over confidential client data that Commission staff was transferring from a mainframe computer environment to a more advanced file server environment. During the transfer period, the Commission granted access to data on the new system solely by using a logon ID, rather than also requiring passwords. Since logon IDs are available to all Commission staff, client records on the new database were vulnerable to unauthorized access. Commission officials indicated that this situation would not be addressed until the new system is fully implemented, which should be accomplished within the next several months.

# Financial-Related Issues

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## Inadequate Accounting and Administrative Controls

Adequate accounting and administrative controls assist entities in maximizing revenue potential and minimizing vulnerabilities to waste, lost income, and lost property. The following instances of administrative and internal control weaknesses were noted.

- The Architectural Access Board was not depositing cash receipts on a daily basis as required. Timely deposits help to maximize interest income and to safeguard funds from loss and theft. The Board responded that, given its staff limitations and the small amount of revenue the agency typically collected, it would seek a waiver from the daily deposit requirement.
- The Bureau of Special Investigations was not adequately monitoring and facilitating case resolution on a timely basis. As a result, the Bureau, which investigates alleged fraud in public assistance programs, had a 3,008 case backlog, as well as significant delays in recovering fraud-related funds. The audit noted, as contributing factors, that area offices did not always share case-related information, including information relative to overdue cases, and that prompt action was not always taken on these cases even when investigators received proper notification. Furthermore, supervisors did not report to the central office the reasons that cases remained unresolved beyond established time frames; and central office staff sometimes changed the status of cases that were still in the jurisdiction of an area office supervisor. The OSA recommended that the Bureau establish a written policy for communication between its central and area offices. The Bureau agreed and indicated that the policy would include a provision that notices of overdue cases be issued on a monthly basis and would specify how area managers should respond to those notices.

- The Division of Insurance did not have a formally documented comprehensive internal control plan in place to address its administrative and business operations. An agency-specific written plan is required under Chapter 647 of the Acts of 1989, the Internal Control Statute, in order to ensure that agency funds and property are adequately safeguarded and properly utilized.
- The University of Massachusetts-Dartmouth was not depositing cash receipts on a daily basis from all areas of the University. A limited judgmental test, for example, disclosed \$89,324 in receipts that was not deposited for thirteen days. The timely deposit of receipts is required in order to maximize interest income and reduce the vulnerability of cash assets to loss, theft, and misuse.



## Prior Audit Results: Corrective Actions

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A review of prior audit results is an important component of each OSA audit. This follow-up review helps to monitor and to recognize agency compliance with OSA recommendations. Corrective actions, based on OSA recommendations, were taken by the following entity.

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### The Massachusetts Rehabilitation Commission

- The Commission has improved internal controls over its computer hardware by performing an annual physical inventory, by properly tagging equipment, and by maintaining a complete inventory record, including the cost and location of specific items. The Commission has also improved the security of its operating system by giving its MIS Manager the ability to prevent installation of any software that has not been approved by the MIS Department.

## Initiatives

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The following are ongoing initiatives of the IT Audit Division.

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### Control Objectives for Information and Related Technology (CobiT)

- The IT Audit Division is continuing to implement the CobiT control framework for IT security and control within the division's audit work programs. All IT Audit Division staff have been trained in the fundamentals of the CobiT control framework.

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### Technical Assistance

- The IT Audit Division is participating in the Commonwealth's Information Technology Division's Enterprise Security Board to assist in the development of enterprise-based IT security policies.

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### Changing Security Requirements and Controls

- The IT Audit Division, in large part in response to the events of September 11, 2001, is dedicating expanded resources to the evaluation of general security controls over and within the IT processing environment. Activities are focused on changing security risks and requirements in the context of increased reliance on internet-based systems. Decisions regarding audit engagements will benefit from an increased understanding of current and changing IT-related security risks.

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# Enforcement Assurance

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In carrying out its responsibility to help ensure compliance with state and federal law, the OSA refers audits that disclose serious possible violations of law to enforcement authorities, including the Office of the Attorney General and various District Attorneys' Offices. In addition, the OSA responds to specific requests to assess the control environment at agencies where thefts or shortages have occurred and to confirm the amount of funds missing. Enforcement activities during this report period are detailed below.

# Investigation Pursuant to the Internal Control Statute

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## Massachusetts Bay Community College

Pursuant to the requirements of Chapter 647 of the Acts of 1989, the College reported a theft from its Student Accounts Office of \$48,856.50 in checks and \$930 in cash. The Chapter 647 report indicated that the safe from which the receipts were taken had probably been left unlocked and, for a brief time, unattended. The report also noted that the key to the safe had been left in an unlocked drawer and that the safe's keylocking mechanism was defective. While the audit was in progress, the College filed two additional Chapter 647 reports, which disclosed that unauthorized electronic bank charges totaling approximately \$3,358 were paid from two College checking accounts. These payment included \$1,292 in Internet billings for adult entertainment Web sites and \$2,066 in non-business-related credit card expenses. The completed review identified internal control policies and procedures in need of modification and made recommendations to correct control weaknesses.

- With respect to the theft of funds, the OSA review disclosed an additional internal control weakness that placed student payment receipts at risk. An analysis of the missing deposit batch, which consisted of payments from 74 students, indicated that these payments had remained on hand from four to 41 days rather than being deposited on a daily basis as required. The OSA noted that the College acted promptly to purchase a new safe with a combination lock and drop slot. Moreover, in an attempt to recover the missing funds, the College stopped payment on missing checks and requested that new checks be issued. As of September 2001, the College had recovered \$34,525.50 from 50 of the 67 check payers. In response to the deposit-delay issue, College officials cited staff shortages and automated system inadequacies, which they were working to address.
- With respect to the unauthorized debits, the OSA review disclosed that significant delays in performing bank reconciliations created conditions in which fraudulent charges were made and went undetected for a long period of time. The OSA recommended that the College, in addition to routinely performing bank reconciliations, more closely monitor bank account transactions and report unauthorized activity in accordance with the bank's 60-day notice policy for fraudulent transactions. The College responded that it had filled a vacant staff account position and was committed to performing bank reconciliations on a timely basis.

## Review Results

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### The Heritage School

- The OSA referred to the Office of the Attorney General and to other appropriate oversight and regulatory agencies its findings relative to substantial internal control deficiencies, potential financial irregularities, and noncompliance with filing requirements by the Heritage School. The OSA also reported that the School placed restrictions on access to records of financial transactions that the State Auditor was legally entitled to review. Specifically, School officials did not provide audit staff with a General Accounting Ledger, financial statements, or bank reconciliations. Moreover, while audit field work was in progress, the School's President removed a computer that contained records of financial activities from School premises to her home. On the basis of the limited documentation the OSA was able to review, specific expenditures totaling at least \$44,069 were identified as unallowable or highly questionable. The audit also determined that, contrary to state law, the School did not have a Board of Directors and did not submit required filings with the Attorney General's Division of Public Charities or the Operational Services Division. Given the seriousness of the problems identified and the scope of the limitations imposed, further review and action were recommended.

### The Center for Health and Development

- The OSA referred to the Office of the Attorney General and to other oversight agencies its findings relative to unreasonable and undocumented Board, consultant, and program expenses charged by the Center for Health and Development. The audit also noted that because seven of the Center's board members were not Massachusetts residents, the board was unable to effectively meet all of its required oversight responsibilities.
- The Center subsequently agreed to repay the Commonwealth a total of \$132,691 as part of an overall corrective action plan. The sum includes remittances of \$41,092 charged for unreasonable board expenses and questionable compensation and fringe benefits provided to a former Executive Director; \$39,972 to pay for undocumented, inadequately documented, and non-program-related expenses billed against state contracts; \$14,039 billed and reimbursed for questionable consultant costs; and \$37,588 in undocumented payroll billings.

## Division of Local Mandates

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The Division of Local Mandates (DLM) was established by Proposition 2½ to determine the financial impact on cities and towns of proposed or existing state laws and regulations. Section 27C of Chapter 29 of the General Laws generally provides that any post-1980 law or regulation imposing service or cost obligations on cities, towns, regional school districts, or educational collaboratives shall be effective only if locally accepted or fully funded by the Commonwealth. Any protected party aggrieved by such a law or regulation may petition Superior Court to be exempted from compliance until the necessary state funding is provided. DLM's determination of the cost imposed may be offered as prima facie evidence of the state funding necessary to sustain the mandate.

DLM maintains a Legislative Review Program to analyze pending legislation on mandate-related issues. To ensure that the local cost impact of legislation is considered by the General Court, DLM reviews thousands of bills, prepares preliminary cost studies, and contacts members of the Legislature to make them aware of the Auditor's concerns. In addition, DLM responds to requests from individual legislators, legislative committees, municipalities, and governmental associations.

Chapter 126 of the Acts of 1984 expanded DLM's powers of review by authorizing DLM to examine any state law or regulation that has a significant local cost impact, regardless of whether it satisfies the more technical standards for a mandate determination. This statute is codified as Section 6B of Chapter 11 of the General Laws. Chapter 126 reviews include cost-benefit analyses and recommendations to the General Court.

Through these functions, DLM works to ensure that state policy is responsive to local fiscal realities, so that cities and towns can maintain autonomy in setting municipal budget priorities.

The following section highlights examples of this work during the reporting period.

# Mandate Determinations and Legislative Studies

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## Certification of State Funding for Uniform Polling Hours

DLM reviewed the election administration expenses of each municipality and issued a cost certification report identifying \$1,223,362 in election expenses incurred by cities and towns for the expanded polling hours required under Chapter 503 of the Acts of 1983. This law established uniform polling hours for state elections, which resulted in a three hour increase over prior election law. The law also requires the state to assume the increased election day expenses.

Under Chapter 503, the Auditor certifies the incremental cost imposed. The Secretary of State then requests the appropriation from the General Court and distributes the funding to each city and town. The funding certified during this period will be delivered prior to the state primary election in September 2002. The amounts range from \$109,718 for Boston to \$120 for Mount Washington. Municipalities will have received a total of \$11.4 million in this manner as of the fall of 2002.



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Health  
Insurance  
Costs for  
Teachers  
Electing Early  
Retirement  
("Retirement  
Plus") Pursuant  
to Chapter 114  
of the Acts of  
2000

The Town of Canton and 28 other municipalities requested an opinion and cost analysis regarding the Local Mandate Law and the Teachers Early Retirement Law. DLM issued an opinion stating that the Local Mandate Law did not apply in this case, primarily because Chapter 114, known as "Retirement Plus," does not impose additional costs upon cities and towns, but rather provides cost savings. The opinion also noted that Article 115 of the Amendments to the Constitution, which governs municipal employment issues, would not apply for the same reason.

The Town of Canton argued that Retirement Plus increases costs for additional health insurance coverage and, to some extent, recruitment and other expenses. However, the DLM analysis found that savings resulting from the salary differential between teachers retiring under Retirement Plus and their replacements exceeded the increased costs. Therefore, there is no net cost imposition on cities and towns.

Canton's Executive Secretary also stated that the enhanced pension benefits of Retirement Plus will increase the cost of the teachers retirement system in Massachusetts. However, because the Commonwealth funds the employer's share of the cost of teacher retirement, any increased pension liability will not be imposed on municipal government but will be borne by the state.

Although it was not the grounds for judgment in this instance, it is also relevant to note that the Massachusetts Supreme Judicial Court has ruled that municipal health insurance expenses are not imposed on cities and towns within the meaning of the Local Mandate Law and Article 115. This is because state law relating to municipal employee health insurance is originally subject to local acceptance by cities and towns, and municipalities that fund retiree health insurance have therefore voluntarily decided to do so.

## Senate 1965: An Act Relative to Body Art

The Senate Committee on Ways and Means requested an opinion as to whether the Local Mandate Law would apply to new permitting and inspections of body art establishments, as provided for in Senate 1965. In relevant part, Senate 1965 would amend Chapter 111, MGLs, to require the licensing and inspecting of body art establishments by local boards of health. The boards of health would also be responsible for enforcement of the law, if passed, and for regulations to be promulgated by the Department of Public Health (DPH).

Although the regulation of body art establishments has the potential to impose costs on municipalities, DLM's review indicated that Senate 1965 provides boards of health with the authority to recover these costs from body art permit applicants and permit holders. Section 3 of the bill authorizes boards of health to establish annual body art permitting fees that would be deposited in a special municipal fund for enforcement of the legislation's provisions and the body art regulations promulgated by DPH. Section 6(2), moreover, authorizes boards of health to collect fines to be established by DPH that can be used to defray the cost of administering the body art permitting and enforcement program. As a result, DLM determined that there would be no costs to be assumed by the Commonwealth under the Local Mandate Law should Senate 1965 be enacted.

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## Motor Vehicle Inspection Standards

The Board of Aldermen of the City of Somerville requested that DLM determine whether motor vehicle emissions standards established pursuant to the Motor Vehicle Inspection Standards Statute are subject to provisions of the Local Mandate Law. Chapter 210 of the Acts of 1997, which requires the state Department of Environmental Protection to set standards for the emissions component of the state motor vehicle inspection program, results in increased inspection fees for cars and trucks, including vehicles owned by municipalities. In some cases, moreover, cities and towns, along with individual motorists, must pay for repairs necessary to achieve compliance with the emissions standards. DLM responded that the Local Mandate Law did not apply, primarily because the law includes a section that exempts it from Local Mandate Law provisions.

Even though Proposition 2½ established a general rule that the state must pay for mandated costs, the State Supreme Judicial Court has ruled that the General Court is free to supercede or override its provisions, including mandate reimbursement provisions, because “Proposition 2½ is not a constitutional amendment, and although its genesis was in initiative and referendum, it enjoys a legal status no different from any other statute.”

**Senate 1981:  
An Act  
Requiring  
Notification to  
the Department  
of Public Health  
(DPH) for  
Certain School  
Construction  
Projects**

At the request of the Senate Committee on Ways and Means, DLM reviewed Senate 1981, legislation that would require any school district undertaking certain school construction or renovation projects to pay for the cost of a Department of Public Health study of the need for school-based health services. Such a study would include DPH's recommendation for including school-based health centers within the scope of the project. The district would receive state reimbursement for the cost of the study at its facilities grants rate, which is determined under Chapter 70B, MGLs, and provides at least 50% but no more than 90% state assistance toward approved project costs. In DLM's view, the Local Mandate Law would not apply to Senate 1981 because the legislation imposes the additional cost as a condition for participating in the state school building assistance program.

Addressing a similar factual situation, the State Supreme Judicial Court wrote: "Because the Commonwealth has no obligation under Proposition 2½ to reimburse the cities and towns for the expenses of obligations imposed prior to January 1, 1981, it follows that it can impose conditions upon such reimbursement as it does provide." (School Committee of Lexington v. Commissioner of Education, 1986) It is the apparent intent of Senate 1981 to impose a portion of the cost of the DPH study upon school districts as a condition for receiving state school building assistance. Accordingly, the Local Mandate Law would not apply to the bill. DLM suggested, however, that this intent would be clearer if the proposal were drafted to amend Chapter 70B rather than Chapter 70 of the MGLs.

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## The Pioneer Valley Regional Transit Authority (PVRTA)

DLM responded to a letter on behalf of PVRTA concerning line item 6005-0015 of the fiscal year 2001 State Budget, which states that “the Pioneer Valley Regional Transit Authority shall maintain an express bus route from the city of Springfield to the former Hampden County house of correction.” The Commonwealth fully reimbursed PVRTA for the cost of providing this service through fiscal year 1999, but fiscal year 2000 expenses exceeding \$237,000 remained unpaid. Because PVRTA is not a city or town, and because PVRTA members voluntarily participate in the Authority, DLM determined that the Commonwealth does not have an obligation under the Local Mandate Law to fund this expense.

The Local Mandate Law, as originally adopted as part of Proposition 2½, covered only cities and towns. A subsequent amendment extended its protections from state imposed costs to regional school districts and educational collaboratives. However, the Local Mandate Law does not apply to costs imposed upon organizations such as PVRTA that are distinct entities (“a body politic and corporate and political subdivision of the commonwealth”), even when the entity is composed of cities and towns.

## Office of the State Auditor Legislative Agenda

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This section contains a summary of pending bills developed and filed by the OSA for the 2001/2002 legislative session. Also included is a summary of the provisions of a recently enacted law that was part of the OSA's legislative package. OSA bills either directly affect the OSA or address significant audit results and therefore complement audit recommendations by suggesting systemic improvements.

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Chapter 65 of  
the Acts of  
2002

**An Act Relative to Production of Records for  
Review by the State Auditor**

This law clarifies language in the enabling statute of the OSA that is meant to guarantee the State Auditor access to all records and documents pertinent to an ongoing audit. Under the law's provisions, the OSA, through action in Superior Court, can subpoena materials from an auditee who refuses repeated oral and written requests to open relevant records for review. This limited subpoena authority is a valuable discretionary tool for improving the effectiveness and timeliness of the audit process.

## House 4

### An Act Clarifying the Scope of the Local Mandate Law

This bill would clarify the scope of municipal protection provided pursuant to Section 27C of Chapter 29, MGLs, the so-called Local Mandate Law. The statute provides that any law taking effect on or after January 1, 1981 that imposes any additional costs upon a city or town will be effective only if fully funded by the Commonwealth or if locally accepted. In addition, it provides that any post-1980 administrative regulation or law granting or increasing exemption from local taxation is not to be effective unless fully funded by the Commonwealth.

Certain court decisions over the past few years have both narrowed the scope of the Local Mandate Law's protection and created confusion. Consistent with the original intent of the law, House 4 would define "local mandate" to include post-1980 state laws and regulations that require a municipality to make additional expenditures to maintain any new or existing local activity, to undertake a service previously performed by the Commonwealth or a county, or to initiate or expand a contracted service. The bill also contains provisions that would allow for the reimbursement of legal costs incurred by a municipality in a successful mandate challenge and authorizes courts to grant an interim exemption from compliance. This bill would update the Local Mandate Law and establish a more useful standard for responding to local mandate issues.

House 4 is currently pending in the Joint Committee on Taxation.



House 5

**An Act Providing for Uniform Administrative Standards in the Audit of Federal Aid Funds Received by State Agencies**

This legislation would provide for uniform standards and overall coordination in the audit of federal aid funds. Under this bill, the OSA would receive notice from state agencies of federal aid funds to be audited, would assist agencies in setting the scope and standards for various kinds of audits, and would receive such audits when completed by private firms. The intent of the legislation is to ensure that agencies contract for and obtain audits that meet the requirements of all federal and state statutes and regulations and that audit duplication and expenses are reduced.

House 5 received a favorable report from the Joint Committee on State Administration and is currently pending before the House Committee on Ways and Means.

## House 6

### An Act Relative to Certain Requests for Local Audits

This bill would authorize the State Auditor to conduct audits of municipal departments if requested to do so by the governing or legislative body of a city or town. In recent years the Auditor has received an increasing number of such requests, which must be turned down because, under current law, the OSA cannot conduct audits of entities under the audit authority of the Bureau of Accounts within the Department of Revenue.

Currently, municipalities that want audit work, in addition to their required annual audit, can petition the Bureau of Accounts “to cause an audit to be made.” Municipalities, under the direction of the Bureau, then contract for this work to be done on a limited basis by a private accounting firm. Although this procedure works well in most cases, there are instances in which municipal officials would like a particular review to be conducted by the State Auditor’s Office. The Auditor would like to have the flexibility to respond positively to such requests.

House 6 received a favorable report from the Joint Committee on State Administration and is currently pending before the House Committee on Ways and Means.

## House 7

### **An Act Providing for Review of Agency Fiscal Effect Statements by the State Auditor**

This bill would amend Sections 2 and 3 of Chapter 30A, MGLs, by adding the State Auditor's Division of Local Mandates (DLM) to the listing of agencies to be notified of an upcoming hearing for any proposed regulation that may result in increased expenditures by a city, town, regional school district, or educational collaborative. It would also provide that the fiscal effect statement currently required by Section 5 of Chapter 30A related to the impact of proposed regulatory changes on municipalities and educational entities be filed with DLM.

House 7 would enhance the integrity of the fiscal effect process and ensure that the financial impact of proposed regulations on cities and towns is carefully considered within the current administrative process.

House 7 received a favorable report from the Joint Committee on State Administration and is currently pending before the House Committee on Ways and Means.

# Private Occupational Schools: Financial Evaluations

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Chapters 75C, 75D, and 93 of the Massachusetts General Laws require the Office of the State Auditor and the Department of Education to annually evaluate the financial and academic qualifications, respectively, of applicants for licensure or registration as private business, trade, or correspondence schools. Schools conducted by employers to train their employees and schools or colleges, chartered or otherwise authorized by the Commonwealth, are exempt from the mandate of the statutes. These consumer protection statutes were enacted to ensure that private occupational schools are both financially and academically qualified to operate in Massachusetts.

Prior to licensure or registration by the Department of Education, all such non-degree-granting business, trade, and correspondence schools are required to submit financial statements to the OSA. This information is evaluated to determine the solvency of each applicant. Those schools determined to be financially qualified for licensure or registration must then secure tuition protection in the amount recommended by the OSA.

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Massachusetts statutes require the OSA to annually determine each school's appropriate tuition protection level, which may take the form of a surety bond, an irrevocable letter of credit, or a term deposit account payable to the Commonwealth. This consumer protection is intended to cover potential tuition refunds to students resulting from fraud, deceptive student recruitment practices, or a breach of contract by the school.

At the close of calendar year 2001, there were 168 active private occupational schools financially certified for Massachusetts licensure or registration. During the six-month period ended December 31, 2001, the OSA performed 58 financial evaluations. Four schools represented first-time applicants, 54 reviews covered renewal applications, and eight previously approved schools were reclassified as inactive.

Programs of study offered by private occupational schools include appliance repair, broadcasting, business administration, computer skills, commercial art, fashion design, floral design, holistic health care, home health aide/certified nurses' assistant training, industrial technology, modeling, photography, plumbing, secretarial skills, sign painting, tractor trailer training, travel agent training, and ultrasound technology.

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## **Appendix**

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### Audit Reports Issued

# Education Audits

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AUDIT	AUDIT NUMBER	ISSUE DATE
1. Administration of Special Education Costs for Certain Abandoned Children <i>(3 Entities)</i> Department of Education Department of Social Services Town of Holbrook School District	2001-0157-3	07/26/01
2. Administration of the Charter School Program <i>(44 Entities)</i> Department of Education Former Executive Office of Education 36 Commonwealth Charter Schools 6 Horace Mann Charter Schools	2000-4070-3	10/22/01
3. Bridgewater State College	2001-0177-3	12/12/01
4. Heritage School, Inc.	2001-4427-3	10/18/01
5. Holyoke Community College-Federal Student Financial Assistance Programs	2002-0195-2S	11/27/01
6. Massachusetts Bay Community College- Chapter 647 Review	2001-0196-12	12/13/01
7. Massachusetts Bay Community College- Federal Student Financial Assistance Programs	2002-0196-2S	11/27/01
8. University of Massachusetts-Dartmouth: Information Technology Controls and the Billing and Receivable System	2001-0210-4C	10/03/01

## Human Services Audits

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AUDIT	AUDIT NUMBER	ISSUE DATE
1. Administration and Oversight of the Medication Administration Program <i>(68 Entities)</i> Department of Mental Health (2 Sites) Department of Mental Retardation Department of Public Health (2 Sites) Advocates, Inc. (4 Sites) Bay Cove Human Services (5 Sites) Community Healthlink, Inc. Community Service, Inc. (5 Sites) Fellowship Health Resources, Inc. Human Services Options, Inc. (6 Sites) Justice Resource, Inc. (3 Sites) Lifeworks, Inc. (4 Sites) May Institute (6 Sites) Nauset, Inc. (6 Sites) Riverside Community Care (4 Sites) South Shore Mental Health, Inc. (4 Sites) Vinfen, Inc. (8 Sites) Work, Inc. (6 Sites)	2000-4068-3	09/28/01
2. Center for Health & Development, Inc.	2000-4422-3	08/16/01
3. Center for Public Representation	2001-4430-3	08/20/01
4. Department of Social Services-Internal Controls Over the FamilyNet System	1999-1058-4X	11/16/01
5. Lead Poisoning Education and Training Trust Account <i>(6 Entities)</i> Education and Training Trust Account Department of Public Health Office of Consumer Affairs Division of Professional Licensure Division of Banks Division of Insurance	2001-1453-3	10/25/02
6. Massachusetts Rehabilitation Commission- Information Technology and Financial- Related Controls	2001-0054-4F	09/28/01
7. Mercy Centre within Catholic Charities of the Diocese of Worcester	2002-4433-3C	10/26/01
8. No. Shore Association for Retarded Citizens	2001-4425-3	09/13/01
9. Portuguese Youth Cultural Organization, Inc.	2000-4411-3	08/15/01



## Independent Authority Audits

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AUDIT	AUDIT NUMBER	ISSUE DATE
1. Boston Metropolitan District	2002-0581-2A	10/31/01
2. Brockton Area Transit Authority	2001-0881-3	09/20/01
3. Cape Ann Transportation Authority	2001-0395-3	08/29/01
4. Greater Attleboro/Taunton Regional Transit Authority	2001-1007-3	09/13/01
5. Massachusetts Bay Transportation Authority- Real Estate Activities <i>(3 Entities)</i> Massachusetts Bay Transportation Authority Alewife Commercial Associates, Inc. Transit Retail Partnership, Inc.	2001-0583-3	12/19/01
6. Massachusetts Educational Financing Authority	2001-1301-3	08/29/01
7. Massachusetts Port Authority-Acquisition of the Medford Street Terminal in Charlestown	2001-0508-3	12/03/01

## Judiciary/Law Enforcement Audits

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AUDIT	AUDIT NUMBER	ISSUE DATE
1. Financial & Management Controls Over the Receipting, Accounting and Reporting of Bail Funds at the Sixty-Nine District Courts of the Commonwealth of Massachusetts <i>(70 Entities)</i> -Administrative Office of the Trial Court -Sixty-Nine District Courts Attleboro Ayer Barnstable Brighton Brockton Brookline Cambridge Charlestown Chelsea Chicopee Clinton Concord Dedham Dorchester Dudley East Boston East Brookfield Edgartown Fall River Falmouth Fitchburg Framingham Gardner Gloucester Greenfield Hampshire Haverhill Hingham Holyoke Ipswich Lawrence Leominster Lowell Lynn Malden	2000-5076-3	08/14/02

# Judiciary/Law Enforcement Audits

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AUDIT	AUDIT NUMBER	ISSUE DATE
Marlborough		
Milford		
Nantucket		
Natick		
New Bedford		
Newburyport		
Newton		
Northern Berkshire		
Orange		
Orleans		
Palmer		
Peabody		
Pittsfield		
Plymouth		
Quincy		
Roxbury		
Salem		
Somerville		
South Boston		
Southern Berkshire		
Springfield		
Stoughton		
Taunton		
Uxbridge		
Waltham		
Ware		
Wareham		
West Roxbury		
Westborough		
Westfield		
Winchendon		
Woburn		
Worcester		
Wrentham		
2. Hampden Sheriff's Department (2 Entities) Sheriff's Department Hampden County Sheriffs, Inc.	2001-1434-3	08/10/01

## Judiciary/Law Enforcement Audits

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AUDIT	AUDIT NUMBER	ISSUE DATE
3. Technical Assistance Provided to the Worcester County District Attorney's Office-Blackstone Elementary Parents Organization	2002-6013-9O	11/26/01
4. Technical Assistance Provided to Worcester County District Attorney-Potential Misuse of a Senior Citizen's Savings Account	2001-6010-9	12/19/01
5. Technical Assistance Provided to Worcester County District Attorney's Office-Garvin Headley Investigation	2001-6009-9	09/19/01
6. Technical Assistance Provided to Worcester County District Attorney's Office-Westborough Restaurant	2002-6016-9O	11/29/01
7. Trial Court's Administration of the Court Facilities Rental Account and Related Accounts of the Counties of the Commonwealth	2001-5105-3	08/08/01

# Local Housing Authority Audits

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AUDIT	AUDIT NUMBER	ISSUE DATE
1. Amherst Housing Authority	2002-0597-3A	11/30/01
2. Andover Housing Authority	2001-0598-3	07/27/01
3. Dudley Housing Authority	2001-0970-3	07/19/01
4. Duxbury Housing Authority	2002-0644-3A	10/25/01
5. Fitchburg Housing Authority	2001-0655-3	07/24/01
6. Framingham Housing Authority	2002-0658-3A	11/27/01
7. Groton Housing Authority	2002-1325-3A	10/25/01
8. Harwich Housing Authority	2002-0679-3A	10/17/01
9. Hingham Housing Authority	2001-0674-3	09/18/01
10. Hopedale Housing Authority	2002-0680-3A	12/10/01
11. Hudson Housing Authority	2001-0682-3	08/28/01
12. Mashpee Housing Authority	2002-0707-3A	10/31/01
13. Mattapoisett Housing Authority	2002-0709-3A	12/19/01
14. Maynard Housing Authority	2002-0710-3A	12/19/01
15. Mendon Housing Authority	2002-0716-3A	12/06/01
16. North Andover Housing Authority	2002-0742-3A	09/10/01
17. North Reading Housing Authority	2002-0746-3A	12/19/01
18. Norton Housing Authority	2002-0747-3A	12/06/01
19. Norwell Housing Authority	2002-0854-3A	12/20/01
20. Randolph Housing Authority	2002-0763-3A	11/29/01
21. Raynham Housing Authority	2002-0903-3A	08/22/01
22. Rehoboth Housing Authority	2002-0786-3A	08/22/01
23. Rockland Housing Authority	2002-0766-3A	09/28/01
24. Somerset Housing Authority	2001-0777-3	08/20/01
25. Somerville Housing Authority	2002-0778-3A	09/10/01
26. Spencer Housing Authority	2002-0784-3A	10/25/01
27. Stow Housing Authority	2002-1336-3A	08/28/01
28. Wareham Housing Authority	2002-0803-3A	12/10/01
29. Westborough Housing Authority	2001-0809-3	08/27/01
30. Westford Housing Authority	2002-0812-3A	10/10/01
31. Yarmouth Housing Authority	2002-0828-3A	08/30/01

## Single Audits of Housing Authorities

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AUDIT	AUDIT NUMBER	ISSUE DATE
1. Abington Housing Authority	2001-3064-8	11/29/01
2. Acton Housing Authority	2001-3051-8	08/23/01
3. Arlington Housing Authority	2001-3015-8	09/14/01
4. Barnstable Housing Authority	2001-3061-8	09/28/01
5. Belchertown Housing Authority	2001-3052-8	10/31/01
6. Belchertown Housing Authority	2001-3056-8	10/31/01
7. Belmont Housing Authority	2001-3008-8	08/22/01
8. Bourne Housing Authority	2001-3023-8	09/14/01
9. Bridgewater Housing Authority	2002-0620-8F	12/05/01
10. Brookline Housing Authority	2001-3040-8	08/07/01
11. Chelsea Housing Authority	2001-3062-8	11/09/01
12. Everett Housing Authority	2001-3039-8	07/19/01
13. Fall River Housing Authority	2001-3037-8	07/25/01
14. Falmouth Housing Authority	2001-3046-8	10/12/01
15. Gardner Housing Authority	2001-3048-8	07/31/01
16. Greenfield Housing Authority	2001-3065-8	11/07/01
17. Leominster Housing Authority	2002-0693-8F	10/18/01
18. Malden Housing Authority	2001-3011-8	07/31/01
19. Mansfield Housing Authority	2001-3050-8	08/31/01
20. Melrose Housing Authority	2001-3016-8	11/05/01
21. Milton Housing Authority	2001-3012-8	09/21/01
22. Natick Housing Authority	2001-3055-8	11/09/01
23. New Bedford Housing Authority	2001-3054-8	12/05/01
24. Newton Housing Authority	2001-3018-8	11/07/01
25. Revere Housing Authority	2001-3010-8	09/18/01
26. Salem Housing Authority	2001-3029-8	07/26/01
27. Salisbury Housing Authority	2001-3057-8	11/05/01
28. Stoughton Housing Authority	2001-3006-8	08/23/01
29. Taunton Housing Authority	2001-3014-8	10/22/01
30. Waltham Housing Authority	2001-3047-8	07/18/01
31. Warren Housing Authority	2001-3013-8	09/28/01
32. Watertown Housing Authority	2001-3053-8	11/14/01
33. Westfield Housing Authority	2001-3059-8	12/11/01
34. Winchester Housing Authority	2001-3009-8	07/12/01
35. Woburn Housing Authority	2001-3004-8	10/31/01

## Other Audits

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AUDIT	AUDIT NUMBER	ISSUE DATE
1. Agency Compliance with State Comptroller's Year-End Closing Instructions for Cash & Revenue Management-Fiscal Year 2001 <i>(40 Entities)</i> Office of the State Comptroller Department of the State Treasurer Attorney General's Office Bridgewater State College Department of Education Department of Mental Retardation Department of Revenue-Chelsea Department of Revenue-Boston Department of Revenue-Springfield Department of Revenue Lock box Department of Social Services Department of Transitional Assistance Department of Employment and Training Division of Industrial Accidents Division of Medical Assistance Division of Registration Executive Office of Elder Affairs Framingham State College Metropolitan District Commission Salem State College State Lottery Commission-Boston State Lottery Commission-Braintree State Lottery Commission-Worcester University of Massachusetts-Dartmouth University of Massachusetts-Worcester (Medical School) Registries of Deeds Offices Dedham Lawrence Lowell New Bedford Registries of Motor Vehicles Branch Offices Haverhill Lowell Plymouth Quincy Reading	2001-5002-2	12/07/01

## Other Audits

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AUDIT	AUDIT NUMBER	ISSUE DATE
<p>Trial Courts</p> <p>Holyoke District Court</p> <p>New Bedford District Court</p> <p>Quincy District Court</p> <p>Springfield District Court</p> <p>Stoughton District Court</p>		
<p>2. Agency Compliance with State Comptroller's Year-End Closing/Opening Instructions for Encumbrance Management-Fiscal Year 2001 (49 Entities)</p> <p>Office of the State Comptroller</p> <p>Administrative Office of the Trial Court</p> <p>Attorney General's Office</p> <p>Berkshire County Sheriff's Department</p> <p>Board of Higher Education</p> <p>Bristol Community College</p> <p>Bunker Hill Community College</p> <p>Chelsea Soldiers' Home</p> <p>Commission for the Deaf and Hard of Hearing</p> <p>Committee on Criminal Justice</p> <p>Department of Economic Development</p> <p>Department of Education</p> <p>Department of Environmental Management</p> <p>Department of Environmental Protection</p> <p>Department of Fisheries, Wildlife and Environmental Law Enforcement</p> <p>Department of Food and Agriculture</p> <p>Department of Labor and Workforce Development</p> <p>Department of Mental Health</p> <p>Department of Mental Retardation</p> <p>Department of Social Services</p> <p>Department of State Police</p> <p>Department of Youth Services</p> <p>Essex County Sheriff's Department</p> <p>Executive Office of Environmental Affairs</p> <p>Executive Office of Health and Human Services</p> <p>Executive Office of Public Safety</p>	2001-5001-2	12/7/2001



## Other Audits

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AUDIT	AUDIT NUMBER	ISSUE DATE
Franklin County Sheriff's Department		
Hampden County District Attorney		
Joint Labor Management Council		
Massachusetts Cultural Council		
Massachusetts District Attorneys' Association		
Massachusetts Maritime Academy		
Massachusetts Rehabilitation Commission		
Massasoit Community College		
Metropolitan District Commission		
Middlesex County Sheriff's Department		
Office of Child Care Services		
Office of the State Comptroller		
Office of the State Treasurer		
Operational Services Division		
Parole Board		
Plymouth District Attorney		
Roxbury Community College		
Secretary of the Commonwealth		
State Lottery Commission		
Supreme Judicial Court		
University of Massachusetts System		
Worcester County District Attorney		
Worcester State College		
3. Architectural Access Board-Information Technology-Related Controls	2002-0023-4T	12/19/01
4. Board of Library Commissioners-Information Technology-Related Controls	2002-0165-4T	12/06/01
5. Bureau of Special Investigations-Information Technology-Related Controls	2001-0031-4C	11/02/01
6. Central Artery/Third Harbor Tunnel Project- Joint Communication from the Offices of the State Auditor and the Inspector General	2002-0510-15	10/03/01
7. Chapter 555-State Auditor's Determination of Whether Net State Tax Revenues Exceeded Allowable State Tax Revenues for Fiscal Year 2001 (7 Entities) Department of Revenue State Boxing Commission	2002-5555-2S	09/18/01

## Other Audits

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AUDIT	AUDIT NUMBER	ISSUE DATE
State Lottery Commission State Racing Commission Division of Employment & Training Division of Insurance Office of Secretary of State		
8. Community Economic Development Assistance Corporation	2001-1009-3	12/14/01
9. Division of Insurance-Information Technology-Related Controls and Internal Control Documentation and Monitoring	2001-0101-4C	12/19/01
10. Human Resources Division-Information Technology-Related Controls	2001-1413-4C	12/19/01
11. Massachusetts Aeronautics Commission-Follow-Up Review	2001-0044-7	11/08/01
12. Massachusetts Highway Department-District Two (Western Mass.)	2001-0506-3	11/19/01
13. Massachusetts Highway Department-Statewide Road and Bridge Program	2000-4076-3	12/12/01
14. Motorcycle Safety Fund (3 Entities) Massachusetts Rider Education Program/Motorcycle Safety Fund Governor's Highway Safety Bureau Registry of Motor Vehicles	2002-0038-3S	12/14/01
15. Office of the Inspector General-Transition Report	2002-1052-2S	10/15/01
16. Standardbred Owners Association, Inc. (3 Entities) Massachusetts Standardbred Breeding Program State Racing Commission Department of Food & Agriculture-Equine Division	2001-1369-2	10/17/01